

**Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Fourth Quarter and the Year Ended 31 December 2017**



1. Q4/2017 Highlights

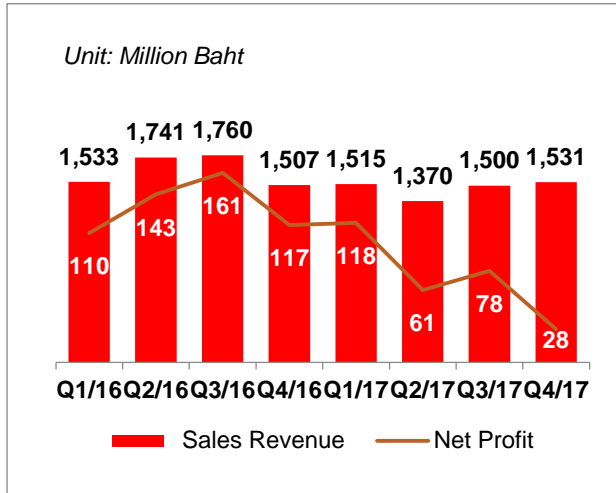


Figure 1: Quarterly results

- In Q4/2017, the Company and its subsidiary recorded total sales of Baht 1,531 million, an increase of 2% YoY, following growth from domestic CMG launching new products as well as continue growth from export branded business, despite a decrease in export CMG and domestic branded.
- Net profit in Q4/2017 was Baht 28 million, a decrease of 76% YoY due to 1) lower sales contribution of export pressuring net profit margin 2) higher depreciation resulted from additional investments in plant, machinery, and office renovations to improve production efficiency and reduce production cost, in order to prepare for an increased level of production and the Company's aggressive growth from 2018 onwards; 3) cost from trial runs and start-up of a new production line for some products, driving higher yield loss and cost from relocating some product from the old production line to the new one; 4) higher excise tax as well as sugar tax following the Excise Act, B.E. 2560, effective since 16 September 2017; 5) higher selling expenses from new packaging launch for some branded product; 6) higher administrative expenses from higher personnel expenses; 7) higher R&D expenses; 8) higher finance costs due to higher borrowings as a result of additional investments in machinery and investments in an overseas joint venture; and 9) loss recognition of Baht 10 million from MMBC, the Company's joint venture in the Philippines. However, the increase in costs is mainly due to investments to build the foundation for future business growth, while some investments cannot generate revenue immediately, and some investments are not fully utilized or have not reached the optimal level yet. Therefore, cost per unit was higher at this point, which might continue to impact the Company's operating performance in the short term, or for the next 2 quarters.
- EBITDA in 2017 was Baht 535 million, a decrease of 35% YoY. However, the EBITDA level is in the same range as 2015.
- On 30 October 2017, the Company has signed the joint venture agreement KINO group, in order to set up two joint ventures both in Thailand and Indonesia, which expected to become operational by mid-2018.
- On 18 January 2018, the Company has entered into an agreement to acquire 65% ownership of Long Quan Safe Food JSC (LQSF), a major beverage producer in Vietnam. LQSF's cost competitiveness will enhance the Company's production base for emerging markets in Southeast Asia, while LQSF's wide-coverage distribution that reaches almost all regions of Vietnam will help expand the Company's business in Vietnam.

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

In Q4/2017, domestic RTD fruit juice market continued to decrease 5% YoY and 3% QoQ, since the support factors for overall purchasing power is not yet strong. Household income in the agricultural sector contracted, both in term of price and output. Meanwhile, non-farm household income remained stable. However, private consumption and export was seen improving.

Moving Annual Total (MAT) December 2017 of domestic RTD fruit juice market was Baht 12,863 million, a decrease of 8% YoY. Meanwhile, the overall domestic beverage market slowed down by 3% 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 of domestic RTD fruit juice market is as shown in figure 2 (Source: Nielsen).

For 2018, the Company is planning to launch new products into new categories besides ready-to-drink fruit juice. The focus is mainly on health products but also able to reach the mass market, which will extend the Company's expansion into new segments in the future.

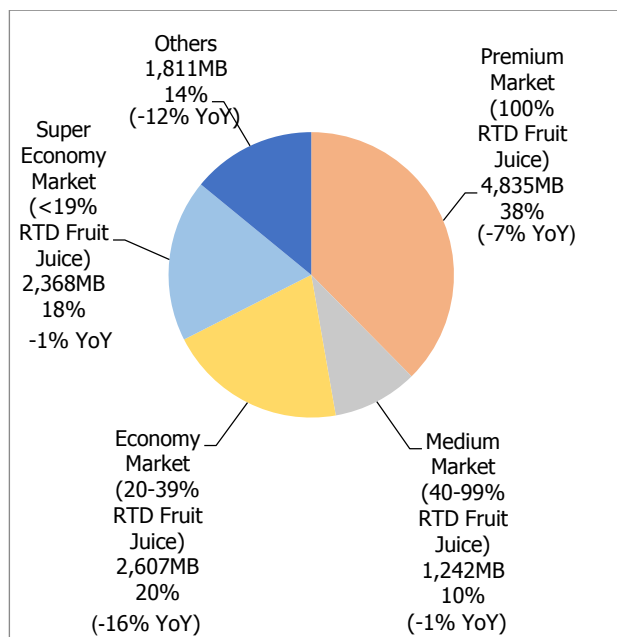
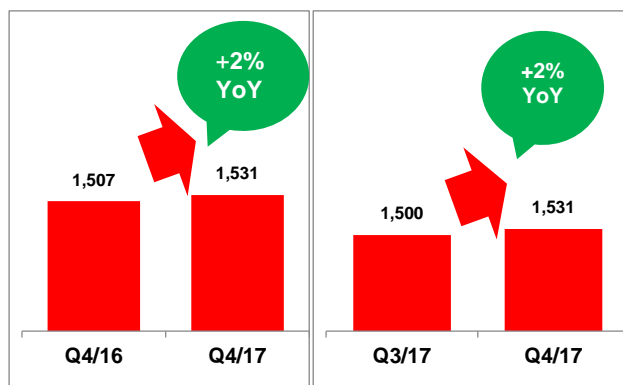


Figure 2: MAT Dec 2017 RTD Fruit Juice Market Value breakdown by Market Segment

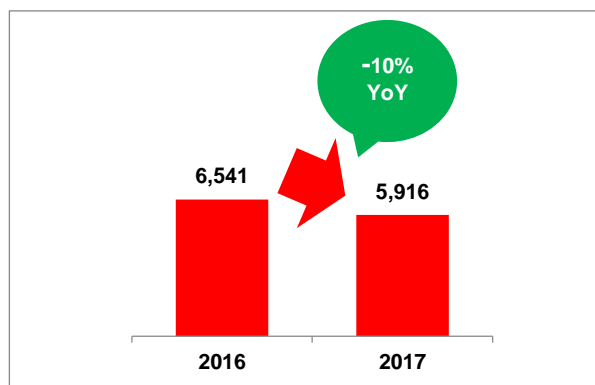
3. Results of Operations and Profitability



Q4/2017 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,531 million, an increase of 2% YoY with details as follows:

- Domestic branded sales declined by c.5% YoY, resulted from the contraction in domestic fruit juice market following the slowdown domestic spending
- Domestic Contract Manufacturing (CMG) sales increased by c.80% YoY support by customers' new products launch as well as the change of the sales platform of some CMG customers from abroad to domestic



2017 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 5,916 million, a decrease of 10% YoY, with details as follows:

- Domestic branded sales declined by c.15% YoY mainly due to a sales decrease of 25% YoY in canned fruit resulted from the delay of the new crop during Q2/2017, while fruit juice sales dropped 10% YoY following the contraction of domestic fruit juice market
- Domestic CMG sales increased by c.10% YoY supported by new products launch

- Export branded sales continued to grow by c.10%. The growth was slowing down due to a stronger baht against the US dollar, while exports to China fell from the severe cold weather.
- Export CMG sales decreased by c.35% 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 also come with traceability, enhancing the ability to trace back the route of the product. At the end of 2017, the standardization process was completed. And, currently all of the Company's sources of coconut water pass the new quality check. Therefore, we expect to see growth from coconut water again in 2018. In addition, in Q4/2017, there was some customer ending the distribution contract with some retailer, while there was some customer changing the sales format from overseas to domestic.
- Export branded sales continued to grow outstandingly by c.30% YoY, since the Company has been working closely with its distributors and partners in each country by cooperatively working on strategic plans to select the right products and marketing strategy for each focused country, such as emerging countries in ASEAN as well as China.
- Export CMG sales decreased by c.25% due to the implementation of the preventive measures since Q2/2017, which strictly control the quality of coconut water throughout the supply chain. The standardization process was completed at the end of 2017. In addition, in Q4/2017, there was some customer ending the distribution contract with some retailer, while there was some customer changing the sales format from overseas to domestic as earlier explained.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 693 million, down 3% YoY
- CMG: Baht 838 million, up 5% YoY
- Sales ratio of Brand: CMG was 45:55, compared with 47:53 in Q4/2016.

Sales Breakdown by Geography:

- Domestic: Baht 1,081 million, up 24% YoY
- Export: Baht 450 million, down 29% YoY
- Sales ratio of Domestic: Export was 71:29, compared with 58:42 in Q4/2016.

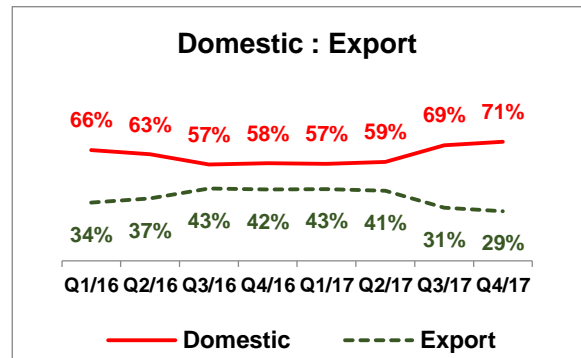
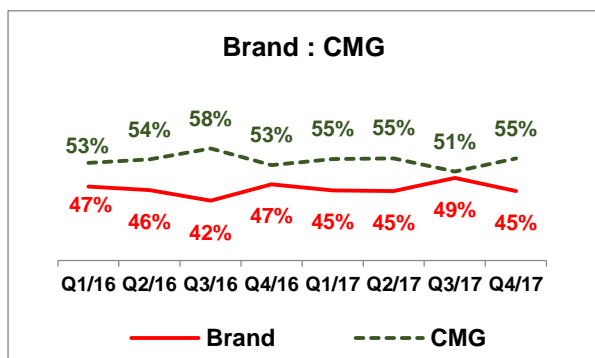
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 2,736 million, down 8% YoY
- CMG: Baht 3,180 million, down 11% YoY
- Sales ratio of Brand: CMG was 46:54, compared with 45:55 in the same period last year.

Sales Breakdown by Geography:

- Domestic: Baht 3,781 million, down 5% YoY
- Export: Baht 2,135 million, down 17% YoY
- Sales ratio of Domestic: Export was 64:36, compared with 61:39 from the same period last year.



Q4/2017 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,129 million. Cost of goods sold to sales increased to 73.7% from 67.8% in Q4/2016 as a result of higher depreciation resulted from additional investments in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production from 2018 onwards; cost from trial runs and start-up of a new production line for some products, driving higher yield loss; cost from relocating some product from the old production line to the new one; higher sales contribution of CMG business whose gross margin is lower than branded business; and higher excise tax as well as sugar tax following the Excise Act, B.E. 2560 which was effective since 16 September 2017.

However, the increase in costs is mainly due to investments to build the foundation for future business growth, while some investments cannot generate revenue immediately, and some investments are not fully utilized or have not reached the optimal level yet. Therefore, cost per unit was higher at this point, which might continue to impact the Company's operating performance in the short term, or for the next 2 quarters.

Q4/2017 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 402 million, a decrease of 17% YoY. This represented gross profit margin of 26.3%, a decline from 32.2% in Q4/2016 as a result of higher cost of goods sold and higher sales contribution of CMG business generating small gross margin compared with branded business, as earlier explained.

Q4/2017 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 239 million, a decrease of 29% YoY. Selling expenses to sales was 15.6%, an increase from 12.3% in Q4/2016 due to higher expenses from new packaging launch for some branded product.

Q4/2017 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 147 million, an increase of 34% YoY. Administrative expenses to sales increased to 9.6%, an increase from 7.2% in Q4/2016, resulted from higher personnel expenses including additional employment in a new 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.

2017 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 4,216 million. Cost of goods sold to sales increased to 71.3% from 67.8% in the same period last year as a result of higher cost per unit due to lower capacity utilization; higher depreciation resulted from additional investments in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production from 2018 onwards; cost from trial runs and start-up of a new production line for some products driving higher yield loss; cost from relocating some product from the old production line to the new one; and higher excise tax as well as sugar tax following the Excise Act, B.E. 2560 which was effective since 16 September 2017.

However, the increase in costs is mainly due to investments to build the foundation for future business growth, while some investments cannot generate revenue immediately, and some investments are not fully utilized or have not reached the optimal level yet. Therefore, cost per unit was higher at this point, which might continue to impact the Company's operating performance in the short term, or for the next 2 quarters.

2017 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 1,700 million, a decrease of 19% YoY. This represented gross profit margin of 28.7%, a decrease from 32.2% as a result of higher cost of goods sold, as earlier explained.

2017 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 873 million, a decrease of 8% YoY. Selling expenses to sales slightly increased to 14.8% from 14.4% in the same period last year, due to a higher sales contribution of branded business as well as expenses from new packaging launch for major branded products.

2017 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 523 million, an increase of 13% YoY. Administrative expenses to sales increased to 8.8%, an increase from 7.1% in the same period last year, due to higher personnel expenses including additional employment in a new 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, as earlier explained.

Q4/2017 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 6 million, up 28% YoY due to higher borrowings as a result of additional investments in machinery to improve production efficiency and reduce production cost, in order to prepare for an increased level of production in the future. In addition, the Company has gradually invested in an overseas joint venture.

Q4/2017 Net Profit

The Company and its subsidiaries recorded net profit of Baht 28 million, a decrease of 76% YoY, representing a net profit margin of 1.8%, reducing from 7.7% in Q4/2016 due to 1) lower sales contribution of export pressuring net profit margin 2) higher depreciation resulted from additional investments in plant, machinery, and office renovations to improve production efficiency and reduce production cost, in order to prepare for an increased level of production and the Company's aggressive growth from 2018 onwards; 3) cost from trial runs and start-up of a new production line for some products, driving higher yield loss and cost from relocating some product from the old production line to the new one; 4) higher excise tax as well as sugar tax following the Excise Act, B.E. 2560, effective since 16 September 2017; 5) higher selling expenses from new packaging launch for some branded product; 6) higher administrative expenses from higher personnel expenses; 7) higher R&D expenses; 8) higher finance costs due to higher borrowings as a result of additional investments in machinery and investments in an overseas joint venture; and 9) loss recognition of Baht 10 million Monde Malee Beverage Corporation (MMBC), the Company's joint venture in the Philippines.

However, the increase in costs is mainly due to investments to build the foundation for future business growth, while some investments cannot generate revenue immediately, and some investments are not fully utilized or have not reached the optimal level yet. Therefore, cost per unit was higher at this point, which might continue to impact the Company's operating performance in the short term, or for the next 2 quarters.

2017 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 22 million, down 5% YoY, as a result of better interest rate as well as improved management of revolving loan.

2017 Net Profit

The Company and its subsidiaries recorded net profit of Baht 286 million, a decrease of 46% YoY, representing a net profit margin of 4.8%, reducing from 8.1% in the same period last year due to 1) higher cost per unit resulted from lower capacity utilization; 2) lower sales contribution of export pressuring net profit margin; 3) higher depreciation resulted from additional investments in plant, machinery, and office renovations to improve production efficiency and reduce production cost, in order to prepare for an increased level of production and the Company's aggressive growth from 2018 onwards; 4) cost from trial runs and start-up of a new production line of some products, driving higher yield loss and cost from relocating some product from the old production line to the new one; 5) higher excise tax as well as sugar tax following the Excise Act, B.E. 2560 which was effective since 16 September 2017; 6) higher selling expenses from new packaging launch for major branded products; 7) higher administrative expenses from higher personnel; 8) R&D expenses; and 9) loss recognition of Baht 20 million from MMBC. However, loss from MMBC loss decreased 49% YoY, while the loss was foreseen, going following the Company's plan, and considered as a normal level for the business at the beginning stage launching new products into the market which requires high spending.

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4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	31 December 2017	31 December 2016	% Change
Cash and cash equivalents	100	92	+9%
Trade receivables	781	731	+7%
Inventories	1,044	812	+29%
Other current assets	179	96	+86%
<i>Total current assets</i>	2,105	1,731	+22%
Property, plant and equipment	2,071	1,781	+16%
Investments in joint venture	53	5	+979%
Other non-current assets	161	123	+31%
<i>Total non-current assets</i>	2,286	1,909	+20%
Total Assets	4,390	3,640	+21%
Bank overdrafts and short-term loans from financial institutions	1,328	1,047	+27%
Trade payables	473	323	+46%
Current portion of long-term liabilities	128	7	+1718%
Current portion of liabilities under financial lease agreements	40	33	+18%
Other non-current liabilities	342	416	-18%
<i>Total Current Liabilities</i>	2,309	1,826	+26%
Long-term loans, net of current portion	246	7	+3656%
Liabilities under financial lease agreements	85	91	-6%
Other non-current liabilities	137	138	-0.3%
<i>Non-current Liabilities</i>	469	235	+100%
Total Liabilities	2,778	2,061	+35%
Authorized share capital	140	140	-
Issued and fully paid-up share capital	140	140	-
Share premium	6	6	-
Retained earnings	1,270	1,229	+3%
Other components of equity	196	199	-2%
Total equity of parent Company's shareholders	1,612	1,575	+2%
Non-controlling interests	0	5	-
Total Shareholders' Equity	1,612	1,579	+2%
Total Liabilities and Shareholders' Equity	4,390	3,640	+21%

Assets

As at 31 December 2017, the Company and its subsidiaries had total assets of Baht 4,390 million, an increase of 21% from Baht 3,640 million as at 31 December 2016. This was mainly due to increased inventories from higher stock level of branded canned fruit than last year preparing for sale until the next crop season. CMG inventories from customers' stock also increased. Meanwhile, there was also higher trade receivables resulted from higher sales contribution of domestic whose collection period is longer than domestic. Plus, there were also additional investments in joint venture and machinery to improve production efficiency and reducing production cost, in order to prepare for an increased level of production and the Company's aggressive growth from 2018 onwards.

Liabilities

As at 31 December 2017, the Company and its subsidiaries had total Liabilities of Baht 2,778 million, an increase of 35% from Baht 2,061 million as at 31 December 2016, mainly due to higher trade payables under the group of packaging materials whose payment period is quite long, while there was also an increase in loans from financial institutions for the use of the Company's working capital and investments.

Shareholders' Equity

As at 31 December 2017, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,612 million, an increase of 2% 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 31 December 2017, the Company and its subsidiaries recorded current ratio of 0.91x, 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)	2017	2016	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	559	935	-40%
Profit (loss) from changes in operating assets and liabilities	(403)	(191)	-111%
Net Cash flows from (used in) operating activities	156	743	-79%
Decrease (increase) in investments in joint venture	(67)	(44)	+53%
Acquisition of property, plant and equipment	(425)	(664)	+36%
Net Cash flows from other investing activities	24	0	N.A.
Net Cash flows from (used in) investing activities	(468)	(708)	+34%
Increase (decrease) in bank overdraft and short - term loans from financial institutions	290	300	-3%
Increase (decrease) in long-term loans	369	(6)	+6448%
Cash paid to liabilities under finance lease agreement	(74)	(83)	+11%
Finance costs paid	(22)	(26)	+16%
Dividend paid	(243)	(203)	-20%
Net Cash flows from (used in) financing activities	320	(18)	+1863%
Net increase (decrease) in cash and cash equivalents	8	19	-57%
Cash and cash equivalents at beginning of periods	92	75	+23%
Cash and cash equivalents at end of periods	100	92	+9%

At the end of Q4/2017, the Company and its subsidiaries recorded ending cash of Baht 100 million, an increase from Baht 92 million at the Q4/2016, with details as follows:

- Net cash received from operating activities of Baht 156 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 559 million, mainly resulted from operating profit and (2) cash outflows from net change in working capital of Baht 403 million mainly due to higher inventories, trade receivables, and other receivables.
- Net cash used in investing activities of Baht 468 million, comprising of (1) cash outflows from investments in fixed assets of Baht 425 million; (2) cash outflows from investments in joint venture of Baht 67 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 320 million, consisting of (1) an increase in bank overdrafts and short-term loans from financial institutions of Baht 290 million; (2) an increase in long-term loans of Baht 369 million; (3) repayment to liabilities under financial lease agreement of Baht 74 million; (4) cash paid to finance costs of Baht 22 million; and (5) cash paid for dividend payment to the Company's shareholders of Baht 243 million.

6. Forward Looking

In 2017, the Company's sales declined, in line with the contraction of the beverage market and the domestic ready-to-drink fruit juice market, due to the slowdown in domestic consumption which reflected in sluggish spending in fast moving consumer goods (FMCG). Meanwhile, the Company's costs increased, mainly due to its investments to build the foundation for future business growth, while some investments cannot generate revenue immediately, and some investments are not fully utilized or have not reached the optimal level yet. Therefore, cost per unit was higher at this point, which might continue to impact the Company's operating performance in the short term, or for the next 2 quarters.

However, the Company expects to have aggressive growth in 2018, according to the Company's 9-year strategic business plan (2015 - 2023) which is divided into 3 periods of 3 years each. During the first phase of the strategic plan (2015 - 2017), the Company has been building foundation and strength of the organization to support future growth including 1) investments in plant, machinery, and office renovations, aiming at higher production efficiency, reduced production cost, quality systems improvement, environmental care as well as increasing variety of goods and packaging; 2) investments in research and development; 3) adding the competent personnel to support the future growth plan; 4) an establishment of a new subsidiary namely "Malee Applied Sciences Company Limited", whose objectives to encourage farmers' incomes as well as enhancing security of the Company's raw materials, aiming at developing innovation and high value added products (HVA); 5) continual building business partnerships and establishing joint ventures both domestically and internationally, in order to develop products and distribution channels to meet the needs of consumers across the region as follows: 5.1) "Mega Malee Company Limited" in Thailand, whose objective is to develop health-related food and beverage products, in order to fulfill the needs of consumers for health 5.2) "Monde Malee Beverage Corporation" in the Philippines, whose objective is to be the importer of food and beverage products of the Company for distribution in the Philippines 5.3) "PT Kino Indonesia Tbk" in Indonesia, whose objective is to be a manufacturer and importer of food and beverage products of the Company as well as developing new products for distribution in Indonesia 5.4) "Malee Kino (Thailand) Company Limited" in Thailand, whose objective is to import and distribute KINO's products such as personal care and beverages products as well as developing new products for Thai market; and 6) the Company's entering into an agreement to acquire 65% ownership of Long Quan Safe Food JSC (LQSF) from the existing shareholders. LQSF is a major manufacturer and distributor of beverage and food products in Vietnam. LQSF's cost competitiveness will enhance the Company's production base for emerging markets in Southeast Asia, while LQSF's wide-coverage distribution that reaches almost all regions of Vietnam will help expand the Company's business in Vietnam.

The Company has continued to establish its partnerships internationally. This is in line with the Company's regional networking strategy, planning to utilize the strengths of its partners in each country to build a strong regional network, which will in turn enhance the Company to strengthen its competitiveness to sustainably accelerate growth in the region.

All investment projects undertaken by the Company will be a key part of building a strong foundation for the Company, which will help drive growth in the future. The year 2018 will be a year of the Company's 40th anniversary and the beginning of the new decade as well as the first year of the second phase of the long-term strategy where the Company expects the leap and sustainable growth. The Company will be able to start getting benefits from the past 3 year investment projects, especially from Q3/2018 onwards. Meanwhile, the Company will devote its resources to fully generate revenue as well as switching costs of investment projects to become gradually increasing revenue, according to the utilization rate of the Company's investment projects.