Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Second Quarter and Six-Month Period Ended 30 June 2018

1. Q2/2018 Highlights

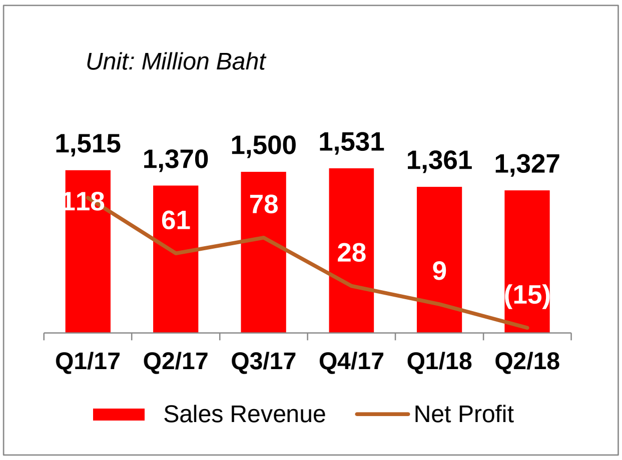


Figure 1: Quarterly results

- In Q2/2018, the Company and its subsidiary recorded total sales of Baht 1,327 million, a decrease of 3% YoY, following a drop in export CMG sales. However, export branded sales jumped supported by sales recognized of Baht 87 million from Long Quan Safe Food JSC (LQSF) a new subsidiary in Vietnam since 27 April 2018 However, domestic CMG grew from both new products and some existing products. Meanwhile, domestic branded sales slightly increased.
- Net loss in Q2/2018 was Baht 15 million, a decrease due to 1) a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million from the acquisition of LQSF in Vietnam as well as consulting fees from other investment projects; 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, for the Company's sustainable growth in the future. However, some investments cannot generate revenue immediately; some investments are not fully utilized or have not reached an optimal level yet; and some projects are delayed. Thus, costs per unit climbed up at this point; 4) higher excise tax as well as sugar tax following the Excise Act, B.E. 2560, effective since 16 September 2017; 5) higher R&D expenses which had quite an impact at the beginning of the projects; and 6) higher finance costs due to higher borrowings as a result of additional investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas.
- EBITDA in Q2/2018 was Baht 43 million, a decrease of 66% YoY and 43% QoQ, However, if excluding a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million, EBITDA would be Baht 61 million, a decrease of 52% YoY and 19% QoQ.

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

In Q2/2018, domestic RTD fruit juice market continued to decrease 13% YoY but slightlyly improved by 2% QoQ. Meanwhile, Moving Annual Total (MAT) Jun 2018 of domestic RTD fruit juice market was Baht 12,119 million, a decrease of 9% YoY resulted from relatively stable purchasing power, while consumers have more concerns about spending and sugar intake. RTD fruit juice market and growth is as shown in figure 2 (Source: Nielsen).

RTD fruit juice market has been dropping since the beginning of 2017 until now, the situation of which the Company always has been aware of. Therefore, the Company has adjusted its strategy to diversify product portfolio beyond traditional 100% fruit juice. The Company will focus on more premium products to increase profitability, and more mass products to increase sales volume, both in the fruit juice category as well as other categories, which will also help reach and recruit new customers to the Company. From the end of Q2/2018 until mid of Q3/2018, the Company has launched new products into the market, e.g., HPP (High Pressure Processing) fruit juices, and milk tablet. And, in the second half of the year, the Company will continue to launch additional new products beyond its traditional products, i.e. Salty Lemon, a carbonated beverage product from LQSF in Vietnam; and personal care products, products from the Company's joint venture partner in Indonesia, both of which will be launched into the market in September. However, the Company's new products launch plans were delayed from the original plan, most of which should have been launched since at the end of Q2/2018.

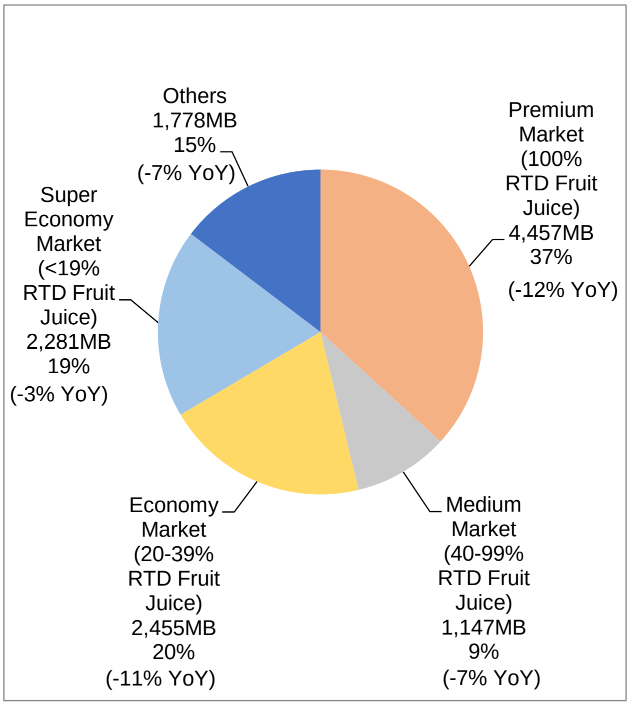


Figure 2: MAT Jun 2018 RTD Fruit Juice Market Value breakdown by Market Segment

3. Results of Operations and Profitability

Consolidated

(Unit: Million Baht)	Q2/2018	Q2/2017	%YoY	6M/2018	6M/2017	%YoY
Sales	1,327	1,370	-3%	2,687	2,885	-7%
Cost of Goods Sold	998	992	+1%	2,020	2,033	-1%
Gross Profit	329	378	-13%	667	852	-22%
%Gross Profit Margin	24.8%	27.6%		24.8%	29.5%	
Selling Expenses	208	196	+6%	412	399	+3%
% Selling Expenses to Sales	15.7%	14.3%		15.3%	13.8%	
Administrative Expenses	151	122	+24%	277	260	+7%
% Administrative Expenses to Sales	11.4%	8.9%		10.3%	9.0%	
Finance Costs	15	5	+190%	27	11	+153%
Share of profit (loss) from investments in JV	(5)	(1)	-400%	(12)	(8)	-47%
Tax expenses (income)	(19)	14	-231%	(23)	41	-155%
Profit (loss) attributable to equity holders of the parent	(15)	61	-124%	(5)	180	-103%
%Net Profit Margin	(1.1%)	4.4%		(0.2%)	6.1%	
Depreciation and Amortization	62	46	+36%	120	91	+32%
EBITDA	43	126	-66%	119	323	-63%
%EBITDA	3.2%	9.1%		4.4%	11.0%	

LQSF

(Unit: Million Baht)	Q2/2018	Q2/2017	%YoY	6M/2018	6M/2017	%YoY
Sales	87	n.a.	n.a.	n.a.	n.a.	n.a.
Cost of Goods Sold	54	n.a.	n.a.	n.a.	n.a.	n.a.
Gross Profit	32	n.a.	n.a.	n.a.	n.a.	n.a.
%Gross Profit Margin	37.3%	n.a.	n.a.	n.a.	n.a.	n.a.
Selling Expenses	29	n.a.	n.a.	n.a.	n.a.	n.a.
% Selling Expenses to Sales	33.1%	n.a.	n.a.	n.a.	n.a.	n.a.
Administrative Expenses	4	n.a.	n.a.	n.a.	n.a.	n.a.
% Administrative Expenses to Sales	4.2%	n.a.	n.a.	n.a.	n.a.	n.a.
Finance Costs	0.8	n.a.	n.a.	n.a.	n.a.	n.a.
Profit (loss) (65% consolidated)	(0.3)	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA (65% consolidated)	2	n.a.	n.a.	n.a.	n.a.	n.a.

<u>Q2/2018 Sales Revenue</u>

The Company and its subsidiaries recorded sales revenue of Baht 1,327 million (including sales from LQSF of Baht 87 million), a decrease of 3% YoY, with details as follows:

- Domestic branded sales increased c.5% YoY, supported by 35% growth in canned fruit resulted from higher productivity than the previous crop season, despite the drop in fruit juice sales following the slowdown in fruit juice market.
- Domestic Contract Manufacturing (CMG) sales grew by c.15% YoY, supported by new products launch, growth from some existing products as well as change of the sales platform of some CMG customer from export to domestic.

<u>6M/2018 Sales Revenue</u>

The Company and its subsidiaries recorded sales revenue of Baht 2,687 million (including sales from LQSF of Baht 87 million), a decrease of 7% YoY, with details as follows:

- Domestic branded sales unchanged YoY, supported by 40% growth in canned fruit resulted from higher productivity than the previous crop season, despite the drop in fruit juice sales following the slowdown in fruit juice market.
- Domestic CMG sales grew by c.25% YoY, supported by new products launch, growth from some existing products as well as change of the sales platform of some CMG customer from export to domestic.

- Export branded sales rose by c.35% YoY due to sales recognition from Long Quan Safe Food JSC (LQSF) a new subsidiary in Vietnam since 27 April 2018. If excluding LQSF, export branded sales would drop c.15% YoY as last year there were sales of coconut water with annual contract, which already expired. In addition, stronger Thai baht by c.7% against the US dollar compared with the same period last year also had an impact on sales. In addition, sub-distributor changeover in Cambodia also affected sales during the transition period.
- Export CMG sales decreased by c.40% YoY, since there was some customer ending the distribution contract with some retailer which resulted in reduced sales volume since Q4/2017. Meanwhile there was some customer changing the sales format from export to domestic. Baht strengthening also had a partial impact on customers' costs and sales volume.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:
- Brand: Baht 694 million, up 12% YoY
- CMG: Baht 632 million, down 16% YoY
- Sales ratio of Brand: CMG was 52:48, compared with 45:55 in Q2/2017.

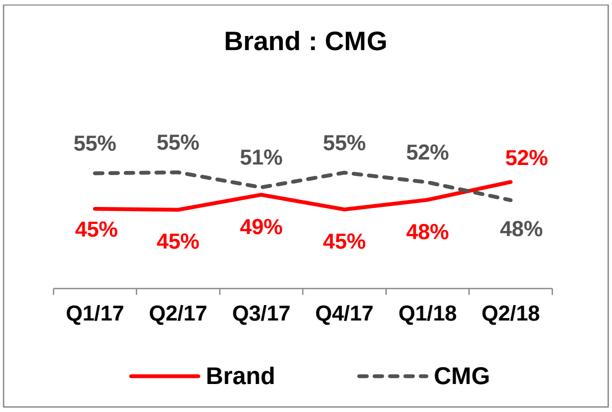
Sales Breakdown by Geography:
- Domestic: Baht 859 million, up 7% YoY
- Export: Baht 467 million, down 18% YoY
- Sales ratio of Domestic: Export was 65:35, compared with 59:41 in Q2/2017.

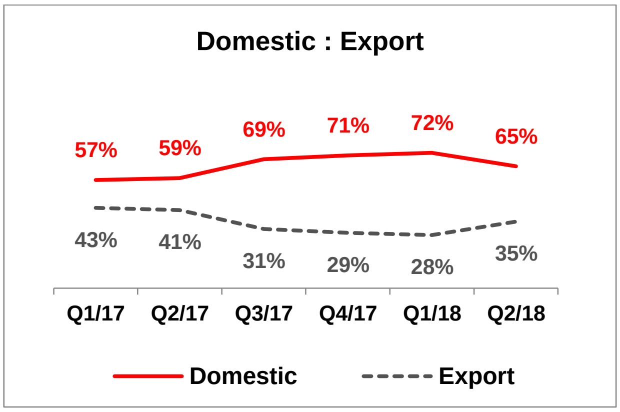
- Export branded sales rose by c.10% YoY due to sales recognition from LQSF since 27 April 2018. If excluding LQSF, export branded sales would drop c.15% YoY as last year there were sales of coconut water with annual contract, which already expired. In addition, stronger Thai baht by c.8% against the US dollar compared with the same period last year also had an impact on sales. In addition, sub-distributor changeover in Cambodia also affected sales during the transition period as earlier explained.
- Export CMG sales decreased by c.45% YoY, since there was some customer ending the distribution contract with some retailer which resulted in reduced sales volume since Q4/2017. Meanwhile there was some customer changing the sales format from export to domestic. Baht strengthening also had a partial impact on customers' costs and sales volume.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:
- Brand: Baht 1,344 million, up 3% YoY
- CMG: Baht 1,343 million, down 15% YoY
- Sales ratio of Brand: CMG was 50:50, compared with 45:55 in the same period last year.

Sales Breakdown by Geography:
- Domestic: Baht 1,836 million, up 10% YoY
- Export: Baht 851 million, down 30% YoY
- Sales ratio of Domestic: Export was 68:32, compared with 58:42 in the same period last year.





Q2/2018 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 998 million. Cost of goods sold to sales increased to 75.2% from 72.4% in Q2/2017, including cost of goods sold from LQSF since 27 April 2018 which recorded cost of goods sold to sales at 61.8%.

If excluding LQSF, cost of goods sold to sales would increase to 76.1% from 72.4% in Q2/2017; due to higher cost per unit as a result of lower utilization rate; higher depreciation resulted from additional investments in machinery to improve production efficiency and reduce production cost in preparation for the Company's growth in the future; as well as higher excise tax and sugar tax following the Excise Act, B.E. 2560 which was effective since 16 September 2017.

However, costs increase 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 an optimal level yet. Therefore, cost per unit was higher at this point, which should continue to impact the Company's performance for a certain period. However, progress will be seen in the second half of this year, while signs of recovery should be clearly seen next year.

6M/2018 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 2,020 million. Cost of goods sold to sales increased to 75.2% from 70.5% in the same period last year, including cost of goods sold from LQSF since 27 April 2018 which recorded Cost of goods sold to sales at 61.8%.

If excluding LQSF, cost of goods sold to sales would increase to 75.6% from 70.5% in the same period last year, due to higher cost per unit as a result of lower utilization rate; higher depreciation resulted from additional investments in machinery to improve production efficiency and reduce production cost in preparation for the Company's growth in the future; higher excise tax and sugar tax following the Excise Act, B.E. 2560 which was effective since 16 September 2017; 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. However, production cost of the new machine has been gradually improving every month.

Q2/2018 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 329 million, a decrease of 13% YoY, representing gross profit margin of 24.8%, reduced from 27.6 % in Q2/2017. This has included gross profit from LQSF since May 2018 which recorded gross profit margin of 37.3%.

If excluding LQSF, gross profit margin would decrease to 23.9% from 27.6% in Q2/2017 due to lower sales but higher cost of goods sold as earlier explained.

6M/2018 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 667 million, a decrease of 22% YoY, representing gross profit margin of 24.8%, reduced from 29.5% in the same period last year. This has included gross profit from LQSF since May 2018 which recorded gross profit margin of 37.3%.

If excluding LQSF, gross profit margin would decrease to 24.4% from 29.5% in the same period last year due to lower sales but higher cost of goods sold as earlier explained.

Q2/2018 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 208 million, an increase of 6% YoY. Selling expenses to sales increased to 15.7% from 14.3% in Q2/2017, mainly due to selling expenses recognition from LQSF which recorded selling expenses to sales of 33.1%

If excluding LQSF, selling expenses to sales would slightly increase to 14.5% from 14.3% in Q2/2017 due to lower sales as earlier explained.

6M/2018 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht xxx million, an increase of 3% YoY. Selling expenses to sales increased to 15.3% from 13.8% in the same period last year, mainly due to selling expenses recognition from LQSF which recorded selling expenses to sales of 33.1%

If excluding LQSF, selling expenses to sales would slightly increase to 14.7% from 13.8% in the same period last year due to lower sales as earlier explained.

Q2/2018 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 151 million, an increase of 24% YoY. Administrative expenses to sales increased to 11.4% from 8.9% in Q2/2017, mainly due to a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million from the acquisition of LQSF as well as consulting fees from other investment projects. This has included administrative expenses from LQSF since May 2018 which recorded administrative expenses to sales of 4.2%.

If excluding LQSF, administrative expenses to sales would increase to 11.9% from 8.9% in Q2/2017, mainly due to lower sales as well as a one-time cost of financial advisory fees and legal consultant fees as earlier explained.

6M/2018 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 277 million, an increase of 7% YoY. Administrative expenses to sales increased to 10.3% from 9.0% in the same period last year, mainly due to a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million from the acquisition of LQSF as well as consulting fees from other investment projects. This has included administrative expenses from LQSF since May 2018 which recorded administrative expenses to sales of 4.2%.

If excluding LQSF, administrative expenses to sales would increase to 10.5% from 9.0% in the same period last year, mainly due to lower sales as well as a one-time cost of financial advisory fees and legal consultant fees as earlier explained.

Q2/2018 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 15 million (including finance costs from LQSF of Baht 0.8 million), an increase of 190% YoY due to higher borrowings as a result of additional investments in machinery to improve production efficiency and reduce production cost, in preparation for the Company's growth in the future as well as additional investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas. Capitalization period for capitalized interest on investment in buildings, plants, and machinery ceases when the asset is ready for use (interest expense incurred during ongoing construction is eligible for capitalization).

6M/2018 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 27 million (including finance costs from LQSF of Baht 0.8 million), an increase of 153% YoY due to higher borrowings as a result of additional investments in machinery to improve production efficiency and reduce production cost as well as additional investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas as earlier explained.

Q2/2018 Net Profit

The Company and its subsidiaries recorded net loss of Baht 15 million (including net loss of Baht 0.3 million from LQSF in proportion of 65%), a decrease from net profit of Baht 61 million in Q2/2017, mainly due to 1) a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million from the acquisition of LQSF as well as consulting fees from other investment projects; 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, for the Company's sustainable growth in the future; 4) higher excise tax as well as sugar tax following the Excise Act, B.E. 2560, effective since 16 September 2017; 5) higher R&D expenses which had quite an impact at the beginning of the projects; and 6) higher finance costs due to higher borrowings as a result of additional investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas.

6M/2018 Net Profit

The Company and its subsidiaries recorded net loss of Baht 5 million (including net loss of Baht 0.3 million from LQSF in proportion of 65%), a decrease from net profit of Baht 180 million in the same period last year, mainly due to 1) a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million from the acquisition of LQSF as well as consulting fees from other investment projects; 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, for the Company's sustainable growth in the future; 4) higher excise tax as well as sugar tax following the Excise Act, B.E. 2560, effective since 16 September 2017; 5) higher R&D expenses which had quite an impact at the beginning of the projects; 6) higher finance costs due to higher borrowings as a result of additional investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas; and 7) cost from trial runs

The increase in costs is mainly due to investments to build the foundation for the Company's sustainable growth in the future. However, as some investments cannot generate revenue immediately; some investments are not fully utilized or have not reached an optimal level yet; and some projects are delayed, costs per unit climbed up at this point, which should continue to affect the Company's performance for a certain period. The Company also has been trying to reduce unnecessary costs at its best. Nevertheless, the Company still has not reached the optimal level yet due to some unfavorable factors, e.g., timing or market opportunities. Therefore, the Company had to bear higher costs at the beginning, causing lower profitability than it should have been. However, in the long term, the Company is confident that it will be able to grow sustainably, as the Company has been operating in accordance with its direction and strategy step by step as planned. Subsequently, the Company will focus on building sales and earnings from several investment projects invested in the past few years. However, progress will be seen in the second half of this year, while signs of recovery should be clearly seen next year.

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. However, production cost of the new machine has been gradually improving every month.

Q1/2018 EBITDA

The Company and its subsidiaries recorded EBITDA of Baht 43 million (including EBITDA of Baht 2 million from LQSF in proportion of 65%), a decrease of 66% YoY. EBITDA margin was 3.2%, a decrease from 9.1% in Q2/2017, mainly due to poorer operating results as earlier explained.

If excluding a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million, EBITDA would be Baht 61 million, a decrease of 52% YoY and 19% QoQ.

6M/2018 EBITDA

The Company and its subsidiaries recorded EBITDA of Baht 119 million (including EBITDA of Baht 2 million from LQSF in proportion of 65%), a decrease of 63% YoY. EBITDA margin was x4.4%, a decrease from 11.0% in the same period last year, mainly due to poorer operating results as earlier explained.

If excluding a one-time cost of financial advisory fees and legal consultant fees of Baht 22 million, EBITDA would be Baht 136 million, a decrease of 58% YoY.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	30 June 2018	31 December 2017	% Change
Cash and cash equivalents	134	100	+33%
Trade receivables	729	781	-7%
Inventories	989	1,044	-5%
Other current assets	177	180	-1%
Total current assets	*2,029*	*2,106*	-4%
Property, plant and equipment	2,183	2,071	+5%
Goodwill	243	-	-
Investments in joint venture	53	53	-1%
Other non-current assets	170	160	+6%
Total non-current assets	*2,649*	*2,284*	+16%
Total Assets	**4,677**	**4,390**	+7%
Bank overdrafts and short-term loans from financial institutions	1,670	1,328	+26%
Trade payables	471	473	-0%
Current portion of long-term loans	155	128	+22%
Current portion of liabilities under financial lease agreements	37	40	-8%
Other non-current liabilities	241	342	-29%
Total Current Liabilities	*2,574*	*2,309*	+11%
Long-term loans, net of current portion	407	246	+65%
Liabilities under financial lease agreements	72	85	-16%
Other non-current liabilities	153	137	+12%
Non-current Liabilities	*632*	*469*	+35%
Total Liabilities	**3,206**	**2,778**	+15%
Authorized share capital	140	140	-
Issued and fully paid-up share capital	140	140	-
Share premium	6	6	-
Retained earnings	1,192	1,270	-6%
Other components of equity	199	196	+2%
Deduct: Treasury stock	(114)	0	-
Total equity of parent Company's shareholders	**1,422**	**1,612**	-12%
Non-controlling interests	49	0	-
Total Shareholders' Equity	1,472	1,612	-9%
Total Liabilities and Shareholders' Equity	**4,677**	**4,390**	+7%

Assets

As at 30 June 2018, the Company and its subsidiaries had total assets of Baht 4,677 million, an increase of 7% from Baht 4,390 million as at 31 December 2017. This was mainly due to LQSF's assets recognition of Baht 269 million whose major assets were Property, plant and equipment of Baht 189 million. In addition, the Company recognized goodwill from acquiring LQSF of Baht 243 million.

Liabilities

As at 30 June 2018, the Company and its subsidiaries had total Liabilities of Baht 3,206 million, an increase of 15% from Baht 2,778 million as at 31 December 2017, mainly due to an increase in loans from financial institutions for the Company's investments and working capital as well as LQSF's liabilities recognition of Baht 163 million.

Shareholders' Equity

As at 30 June 2018, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,422 million, a decrease of 12% from Baht 1,612 million as at 31 December 2017, mainly due to

1) consolidated operating loss of Baht 5 million during the first half of the year; 2) the recorded transaction of treasury shares from shareholders' equity for financial management of 4 million shares during Q1/2018, with total buyback amount of Baht 114 million; and 3) dividend payment for the second half of last year's operating results of Baht 69 million.

5. Liquidity and Capital Resources

Current Ratio

As at 30 June 2018, the Company and its subsidiaries recorded current ratio of 0.79x (including LQSF's current ratio of 0.60x), reduced from 0.91x as at the end of last year, due to a decrease in trade receivables and inventories. Meanwhile, current liabilities were higher resulted from an increase in bank overdrafts and short-term loans from financial institutions for the use of the Company's working capital as well as current portion of long-term loan from the Company's investments. If excluding LQSF, current ratio would be 0.78x.

Consolidated	Q2/2018	2017
Quick Ratio (Times)	0.79	0.91
Interest-bearing Debt to Equity (Times)	1.65	1.13

Interest-bearing Debt to Equity (Times)

As at 30 June 2018, the Company and its subsidiaries recorded Interest-bearing Debt to Equity (IBD/E) of 1.65x (including LQSF's IBD/E of 0.90x), an increase from 1.13x as at the end of last year, due to an increase in loans from financial institutions for the Company's investments and working capital as well as LQSF's interest-bearing debt recognition of Baht 92 million. Meanwhile, shareholders' equity decreased from consolidated loss of Baht 5 million during the first half of the year, the recorded transaction of treasury shares of Baht 114 million, and dividend payment of Baht 69 million. If excluding LQSF, IBD/E would be 1.58x.

LQSF	Q2/2561	2560
Quick Ratio (Times)	0.60	n.a.
Interest-bearing Debt to Equity (Times)	0.90	n.a.

Cash Flow

(Unit: Baht Million)	6M/2018	6M/2017	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	138	325	-58%
Profit (loss) from changes in operating assets and liabilities	65	(16)	+520%
Net Cash flows from (used in) operating activities	**203**	**309**	**-34%**
Cash received from business combination	(307)	0	-
Cash paid for investment in joint ventures	0	(17)	+100%
Acquisition of property, plant and equipment	(89)	(307)	+71%
Net Cash flows from other investing activities	12	23	-47%
Net Cash flows from (used in) investing activities	**(384)**	**(301)**	**-27%**
Increase (decrease) in bank overdraft and short - term loans from financial institutions	342	166	+106%
Increase (decrease) in long-term loans	189	(6)	-
Repayment of long-term loans from financial institutions	(71)	0	-
Cash paid to liabilities under finance lease agreement	(36)	(15)	-145%
Treasury shares	(114)	0	-
Finance costs paid	(31)	(11)	-182%
Dividend paid	(69)	(164)	+58%
Net Cash flows from (used in) financing activities	**210**	**(29)**	**+834%**
Exchange differences on translating financial statements	4	0	-
Net increase (decrease) in cash and cash equivalents	33	(20)	+265%
Cash and cash equivalents at beginning of periods	100	92	+9%
Cash and cash equivalents at end of periods	134	72	+86%

At the end of Q2/2018, the Company and its subsidiaries recorded ending cash of Baht 134 million, an increase from Baht 72 million at the Q2/2017, with details as follows:

- Net cash received from operating activities of Baht 203 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 138 million, mainly resulted from EBITDA and (2) cash inflows from net change in working capital of Baht 65 million, mainly due to lower trade receivables, other receivables, and as and inventories.

- Net cash used in investing activities of Baht 384 million, comprising of (1) Cash outflows for investment in subsidiaries Baht 307 million; (2) cash outflows from investments in fixed assets of Baht 89 million; and (3) cash inflows from other investing activities of Baht 12 million.

- Net cash received in financing activities of Baht 210 million, consisting of (1) an increase in bank overdrafts and short-term loans from financial institutions of Baht 342 million; (2) an increase in long-term loans of Baht 189 million; (3) repayment to long-term loans from financial institutions of Baht 71 million; (4) repayment to liabilities under financial lease agreement of Baht 36 million; (5) cash paid for treasury shares of Baht 114 million; (6) cash paid to finance costs of Baht 31 million; and (7) cash paid for dividend of Baht 69 million.

6. Past Developments of the Company

During the year 2015-2017 until the beginning of 2018, the Company was in the stage of building foundation, change in business direction, and prepare for each business aspect to support the Company's future growth. The Company has been investing in key investment projects as well as rebranding to change the corporate brand identity from being a 'fruit juice producer' to a 'global producer of healthy food and beverages'. Significant developments during those periods include 1) investments in machinery, plant, and office renovations, aiming at higher production efficiency, reduced production cost, quality systems improvement; 2) establishment of MAS, a subsidiary in Thailand; 3) establishment of Malee Kino, a subsidiary in Thailand; 4) acquisition of LQSF, a subsidiary in Vietnam; 5) collaboration with a business partner to establish MMC, a joint venture in Thailand; 6) collaboration with a business partner to establish MMBC, a joint venture in the Philippines; 7) collaboration with a business partner to establish Kino Malee, a joint venture in Indonesia; and 8) rebranding, the strategy of which the Company changed its corporate brand identity as well as product portfolio renovations, as the Company plans to launch new products beyond its traditional 100% fruit juice to add more varieties of products, e.g., higher level of premium products to increase profitability, or higher level of mass products to increase sales volume, both in the fruit juice category as well as other categories, which will also help reach and recruit new customers apart from existing ones to the Company. The Company will consolidate each product group for each brand. Some products will use another brand other than the "Malee" brand, but will still have the Company name on the product to endorse the product as a product of the Company, which will help increase the reliability of the product.

7. Forward Looking

RTD fruit juice market has been dropping since the beginning of 2017 until now, the situation of which the Company always has been aware of. Therefore, the Company has adjusted its strategy to diversify product portfolio beyond traditional 100% fruit juice. From the end of Q2/2018 until mid of Q3/2018, the Company has launched new products into the market, e.g., HPP (High Pressure Processing) fruit juices, and milk tablet. And, for the rest of this year, the Company will continue to launch additional new products beyond its traditional products, i.e. Salty Lemon under the "Fizza" brand, a carbonated beverage product; as well as personal care products, both of which will be launched into the market in September. However, the Company's new products launch plans were delayed from the original plan, most of which should have been launched since at the end of Q2/2018 due to several factors for the delay, e.g., it's a new product category or new production technology that the Company has never produced or distributed before, causing quite a longer process of licenses than expected, e.g., import license and food serial number from the Food and Drug Administration (FDA). In addition, the Company is in the process of adjusting its distribution channel, in order to cover more sales area. These aforementioned factors are part of the reasons of the hindered the Company sales growth.

Apart from the current business of the Company which dropped quicker and worse than expected, the Company also took longer than planned to generate sales from new businesses and new product groups. In addition, the Company's costs increased, mainly due to investments to build the foundation for the Company's sustainable growth in the future. However, as some investments cannot generate revenue immediately; some investments are not fully utilized or have not reached the optimal level yet; and some projects are delayed, costs per unit climbed up at this point, which should continue to affect the Company's performance in the second half of this year. Although the Company has been trying to reduce unnecessary costs at its best, the Company still has not reached an optimal level yet due to some unfavorable factors, e.g., timing or market opportunities. Therefore, the Company had to bear higher costs at the beginning, causing lower profitability than it should have been. However, in the long term, the Company is confident that it will be able to grow sustainably, as the Company has been operating in accordance with its direction and strategy step by step as planned. Progress will be seen in the second half of this year, while signs of recovery should be clearly seen next year. In addition, the Company has completed its investment in the must-have projects which are necessary for driving sales. For the nice-to-have projects which will help enhance efficiency or reduce costs, the Company will hold those investments for the time being. After all invested projects are able to turn from cost to income, and the Company's operating performance is recovered and improving, then the Company will reconsider the adjourned projects again. In other words, the Company will not have major capex within this year, but will focus resources on what we have already invested in and turn them into profit center as soon as possible.

For the year 2018-2020, it was the period that the Company had expected for a leaping growth, as the Company would be able to start getting benefits from the prior investment projects. However, due to negative factors, e.g., the drop of RTD fruit juice market, a decrease in export CMG business resulted from some customer ending its distribution contract with some retailer, which caused the Company's 7% YoY sales drop in the first half of this year. Meanwhile, the launch of new products and new businesses is delayed. In addition, the Company is using the "partial service" business model for some CMG customers, which is different than the "full service". Therefore, volume growth will be higher than value growth but will not affect the Company's profitability. Plus, capacity utilization will be improving. Consequently, the Company revised that there would be no sales growth for 2018 (revised from the previous 30% sales growth target). However, the Company still expects sales growth in the second half of this year both compared with the same period last year and the first half of this year, although it might not be significantly high. Recovery signs will be more promising next year.

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