

**Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the Q2/2019 and H1/2019 ended 30 June 2019**



1. Q2/2019 Highlights

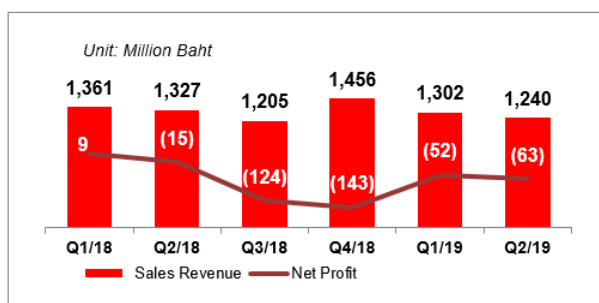


Figure 1: Quarterly results

- In H1/2019 ending 30 June 2019, the Company and its subsidiaries recorded total sales of Baht 2,542 million, a decrease of 5% YoY, mainly due to 11% YoY decline in domestic branded sales. However, export branded sales positively performed with the increase of 7% YoY from sales recognition of new and some existing products. This was mainly due to financial statement adjustment in accordance with new Thai accounting standards. According to the previous accounting standards, the Company and its subsidiaries would have recognized a total sales decline of 0.7% YoY in H1/2019 ended 30 June 2019.
- In Q2/2019, the Company and its subsidiaries recorded total sales of Baht 1,240 million, a decrease of 7% YoY, occurred from a decline in domestic branded sales at 12% YoY while export branded sales continued to grow at 3% YoY from sales recognition of new and some existing products. This was impacted by financial statement adjustment in accordance with new Thai accounting standards. According to the previous accounting standards, Q2/2019 total sales would have been Baht 1,310 million which would be close to Q2/2018 total sales of Baht 1,327 million.
- In Q2/2019, the Company and its subsidiaries recorded loss of Baht 63 million, decreasing from Q2/2018 that recognized net loss Baht 15 million, due to 1) sales shrinkage in CMG and domestic branded sales; 2) higher cost per unit as a result of lower utilization rate; 3) higher finance costs due to investments in machinery, and joint ventures in Thailand and overseas; and 4) non-cash, one-time expenses recognized from selling unused old machines.

- Thai Financial Reporting Standard No. 15 (Revised) : Revenue from Contracts with Customers, effective 1 January 2019 has impacted on the Company and its subsidiaries' financial statement as follows :
 - Brand : Adjusting some advertising and promotion transactions to impact on total sales reduction and also selling expenses reduction. However, there is no impact on net profit.
 - CMG : TFRS 15 set a principle to recognize CMG revenues when goods are ready for transfer to customers and not when it has been transferred. This impacted the Company and its subsidiaries' financial statement on total sales and net profit either increasing or decreasing from changes of inventory at the end of period.

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

At the end of Q2/2019, domestic RTD fruit juice market continued to decrease 4% YoY. Meanwhile, Moving Annual Total (MAT) June 2019 of domestic RTD fruit juice market was Baht 11,690 million.

RTD fruit juice market value and growth is as shown in figure 2.

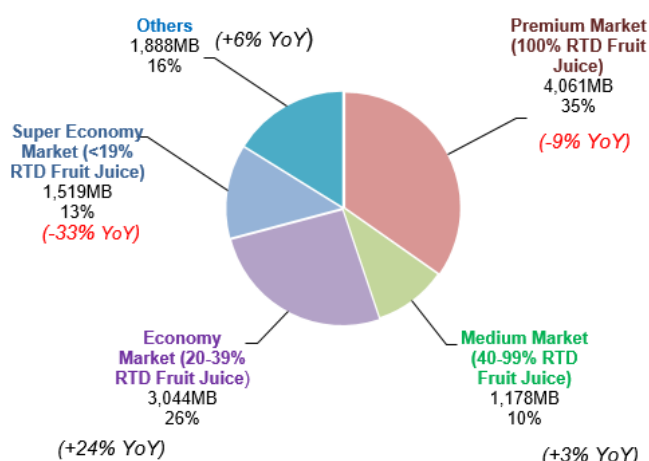


Figure 2: MAT June 2019 RTD Fruit Juice Market Value breakdown by Market Segment
(Source : Nielson)

3. Results of Operations and Profitability

Consolidated financial statements

(Unit : Baht Million)	Q2/2019	Q2/2018	%YoY	H1/2019	H1/2018	%YoY
Revenues from sales and services	1,240	1,327	(7%)	2,542	2,687	(5%)
Cost of goods sold and services	1,069	998	7%	2,143	2,020	6%
Gross profit	171	329	(48%)	399	667	(40%)
% gross profit	13.8%	24.8%		15.7%	24.8%	
Selling expenses	125	208	(40%)	279	412	(32%)
% selling expenses to sales	10.1%	15.7%		11.0%	15.3%	
Administrative expenses	117	151	(23%)	258	277	(7%)
% Administrative expenses to sales	9.4%	11.4%		10.1%	10.3%	
Finance costs	18	15	19%	34	27	25%
Share of profit (loss) from investment in subsidiaries and joint ventures	(1.0)	(5)	82%	(2)	(12)	79%
Tax (income)	(21)	(19)	(10%)	(36)	(23)	(60%)
Net profit (loss)	(63)	(15)	(324%)	(115)	(5)	(2019%)
% net profit (loss)	(5.0%)	(1.1%)		(4.5%)	(0.2%)	

Q2/2019 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,240 million, a decrease of 7% YoY, mainly due to financial statement adjustment in accordance with new Thai accounting standards. Details are as follows:

H1/2019 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 2,542 million, a decrease of 5% YoY, mainly due to financial statement adjustment in accordance with new Thai accounting standards. Details are as follows:

- Domestic Branded Business sales decreased 13% YoY.
- Export Branded Business sales rose 13% YoY, mainly due to sales increase from milk product and sales recognition period, starting from April 27, which was longer than that of Q2/2018 from Long Quan Safe Food JSC (LQSF), Vietnam.
- Total Contract Manufacturing Business (CMG) sales decreased 9% YoY.

Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 665 million, down 3% YoY.
- CMG: Baht 575 million, down 7% YoY.
- Sales ratio of Brand: CMG was 54:46, compared with 52:48 in Q2/2018.

Sales Breakdown by Geography:

- Domestic: Baht 756 million, down 12% YoY.
- Export: Baht 484 million, up 3% YoY.
- Sales ratio of Domestic: Export was 61:39, compared with 65:35 in Q2/2018.

- Domestic Branded Business sales decreased 16% YoY.
- Export Branded Business sales increased 48% YoY, mainly due to sales increase from fruit juice and milk products, and sales recognition from Long Quan Safe Food JSC (LQSF), Vietnam.
- Total Contract Manufacturing Business (CMG) sales decreased 11% YoY.

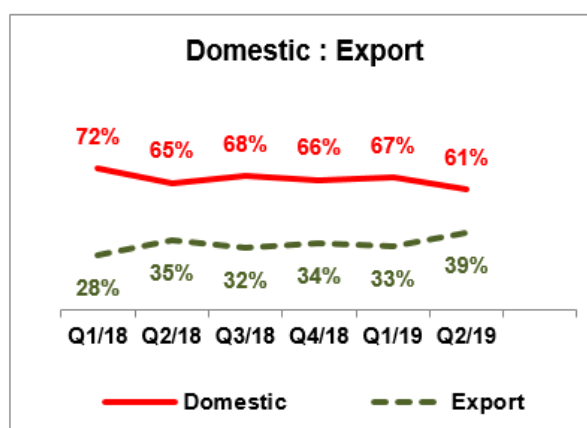
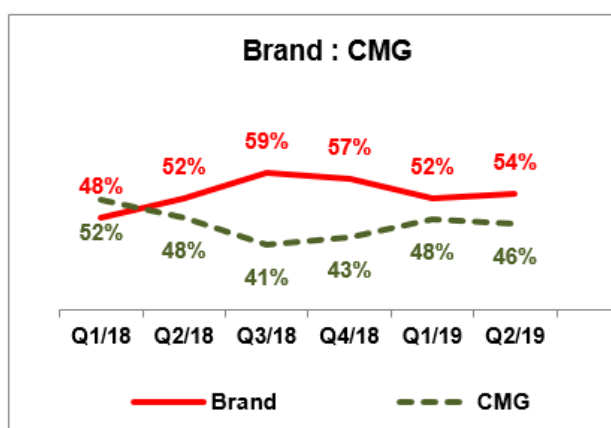
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 1,349 million, up 0.3% YoY.
- CMG: Baht 1,193 million, down 11% YoY.
- Sales ratio of Brand: CMG was 53:47, compared with 50:50 in Q2/2018.

Sales Breakdown by Geography:

- Domestic: Baht 1,634 million, down 11% YoY.
- Export: Baht 909 million, up 7% YoY.
- Sales ratio of Domestic: Export was 64:36, compared with 68:32 in Q2/2018.



Q2/2019 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,069 million. Cost of goods sold to sales increased to 86.2% from 75.2% in Q2/2018, mainly due to financial statement adjustment in accordance with new Thai accounting standards, and higher cost per unit as a result of lower utilization rate and higher depreciation.

H1/2019 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 2,143 million. Cost of goods sold to sales increased to 84.3% from 75.2% in Q2/2018, mainly due to financial statement adjustment in accordance with new Thai accounting standards, and higher cost per unit as a result of lower utilization rate and higher depreciation.

Q2/2019 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 171 million, a decrease of 48% YoY, representing gross profit margin of 13.8%, reduced from 24.8% in Q2/2018, mainly due to financial statement adjustment in accordance with new Thai accounting standards, and higher cost per unit as a result of lower utilization rate and higher depreciation.

Q2/2019 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 125 million, a decrease of 40% YoY. Selling expenses to sales reduced to 10.1% from 15.7% in Q2/2018 due to financial statement adjustment in accordance with new Thai accounting standards, selling expenses recognition from Long Quan Safe Food JSC (LQSF), Vietnam, and efficient expenses control.

Q2/2019 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 117 million, a decrease of 23% YoY. Administrative expenses to sales decreased to 9.4% from 11.4% in Q2/2018, mainly due to efficient expenses control despite the decrease in sales impacted from financial statement adjustment in accordance with new Thai accounting standards that caused administrative expenses to sales ratio to rise.

Q2/2019 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 18 million, an increase of 19% YoY due to higher borrowings as a result of investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas.

Q2/2019 Net Profit

The Company and its subsidiaries recorded net loss of Baht 63 million, an increase from net loss of Baht 15 million in Q2/2018, mainly due to 1) domestic branded business and CMG sales decrease; 2) higher cost per unit as a result of lower utilization rate; 3) higher finance costs due to investments in machinery, and joint ventures in Thailand and overseas; and 4) non-cash, one-time expenses recognized from selling unused old machines.

H1/2019 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 399 million, a decrease of 40% YoY, representing gross profit margin of 15.7%, reduced from 24.8% in Q2/2018, mainly due to financial statement adjustment in accordance with new Thai accounting standards, and higher cost per unit as a result of lower utilization rate and higher depreciation.

H1/2019 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 279 million, a decrease of 32% YoY. Selling expenses to sales reduced to 11.0% from 15.3% in Q2/2018 due to financial statement adjustment in accordance with new Thai accounting standards, selling expenses recognition from Long Quan Safe Food JSC (LQSF), Vietnam, and efficient expenses control.

H1/2019 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 258 million, a decrease of 7% YoY. Administrative expenses to sales decreased to 10.1% from 10.3% in Q2/2018, mainly due to efficient expenses control despite the decrease in sales impacted from financial statement adjustment in accordance with new Thai accounting standards that caused administrative expenses to sales ratio to rise.

H1/2019 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 34 million, an increase of 25% YoY due to higher borrowings as a result of investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas.

H1/2019 Net Profit

The Company and its subsidiaries recorded net loss of Baht 115 million, an increase from net loss of Baht 5 million in Q2/2018, mainly due to 1) domestic branded business and CMG sales decrease; 2) higher cost per unit as a result of lower utilization rate; 3) higher finance costs due to investments in machinery, and joint ventures in Thailand and overseas; and 4) non-cash, one-time expenses recognized from selling unused old machines.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	30 June 2019	31 December 2018	% Change
Cash and cash equivalents	103	122	(15%)
Account receivables	911	705	29.2%
Inventories	592	897	(34%)
Other current assets	152	173	(12%)
Total current assets	1,759	1,898	(7%)
Property, plant and equipment	2,041	2,130	(4%)
Goodwill	51	55	(6%)
Investments in joint venture	51	45	12.5%
Other non-current assets	588	577	1.8%
Total non-current assets	2,730	2,807	(3%)
Total Assets	4,489	4,705	(5%)
Bank overdrafts and short-term loans from financial institutions	1,456	1,512	(4%)
Account payables	429	433	(1%)
Current portion of long-term loans from financial institutions	156	190	(18%)
Current portion of liabilities under financial lease agreements	32	33	(4%)
Other non-current liabilities	362	349	3.6%
Total Current Liabilities	2,435	2,517	(3%)
Long-term loans, net of current portion from financial institutions	607	599	1.4%
Liabilities under financial lease agreements, net of current portion	43	58	(25%)
Other non-current liabilities	274	276	(1%)
Non-current Liabilities	925	932	(1%)
Total Liabilities	3,359	3,450	(3%)
Authorized share capital	140	140	0.0%
Issued and fully paid-up share capital	140	140	0.0%
Share premium	6	6	0.0%
Retained earnings	803	908	(12%)
Other components of equity	178	189	(6%)
Deduct: Treasury stock	(114)	(114)	0.0%
Total equity of parent Company's shareholders	1,013	1,129	(10%)
Non-controlling interests	117	126	(7%)
Total Shareholders' Equity	1,130	1,255	(10%)
Total Liabilities and Shareholders' Equity	4,489	4,705	(5%)

Assets

As at 30 June 2019, the Company and its subsidiaries had total assets of Baht 4,489 million, a decrease of 5% from Baht 4,705 million as of 31 December 2018. The main factor was the decrease in inventories.

Liabilities

As at 30 June 2019, the Company and its subsidiaries had total Liabilities of Baht 3,359 million, a decrease of 3% from Baht 3,450 million as of 31 December 2018, mainly due to a decrease in loans from financial institutions.

Shareholders' Equity

As at 30 June 2019, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,013 million, a decrease of 10% from Baht 1,129 million as of 31 December 2018, mainly due to net loss of Baht 115 million in H1/2019.

5. Liquidity and Capital Resources

Current Ratio

As at 30 June 2019, the Company and its subsidiaries recorded current ratio of 0.72x, a decrease from 0.75x as of 31 December 2018 because decreases in inventories were more than current liabilities that the Company repaid to loans from financial institutions.

Interest-bearing debt to equity ratio increased from 2.12x to 2.26x because loans from financial institutions reduced less than the decrease of the parent company's shareholders.

Consolidated	Q2/2019	2018
Current Ratio (Times)	0.72	0.75
Interest-bearing Debt to Equity (Times)	2.26	2.12

Cash Flow

(Unit: Baht Million)	H1/2019	H1/2018	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	78	138	(44%)
Profit (loss) from changes in operating assets and liabilities	78	65	19.7%
Net Cash flows from (used in) operating activities	156	203	(23%)
Cash paid from business combination	0	(307)	100.0%
Cash paid for increased investments in joint ventures	(10)	-	-
Acquisition of property, plant and equipment	(50)	(89)	44.1%
Net Cash flows from other investing activities	11	12	(11%)
Net Cash flows from (used in) investing activities	(49)	(384)	87.2%
Increase (decrease) in bank overdraft and short - term loans from financial institutions	(56)	342	(116%)
Increase (decrease) in long-term loans from financial institutions	-	189	(100%)
Repayment of long-term loans from financial institutions	(26)	(71)	63.5%
Cash paid to liabilities under finance lease agreement	(16)	(36)	56.9%
Treasury shares	0	(114)	100.0%
Finance costs paid	(34)	(31)	(10%)
Dividend paid	(0)	(69)	100.0%
Net Cash flows from (used in) financing activities	(131)	210	(162%)
Exchange differences on translating financial statements	5	4	36.6%
Net increase (decrease) in cash and cash equivalents	(19)	33	(156%)
Cash and cash equivalents at beginning of periods	122	100	21.5%
Cash and cash equivalents at end of periods	103	134	(23%)

In Q2/2019, the Company and its subsidiaries recorded ending cash of Baht 103 million, a decrease of Baht 19 million at the end of Q2/2018, 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 78 million; and (2) cash inflows from net change in working capital of Baht 78 million, mainly due to increase of account receivable and a decrease in inventories.
- Net cash used in investing activities of Baht 49 million, comprising of (1) cash outflows from investments in fixed assets of Baht 50 million; (2) cash outflows from investment in joint venture of Baht 10 million; and (3) other cash inflows from other investing activities of Baht 11 million.
- Net cash received in financing activities of Baht 131 million, consisting of (1) repayment to short-term loans from financial institutions of Baht 56 million; (2) repayment to long-term loans from financial institutions of Baht 26 million; (3) cash inflows from liabilities under financial lease agreement of Baht 16 million; and (4) cash paid to finance costs of Baht 34 million.

6. Forward Looking

The Company and its subsidiaries aim to expand overseas branded business which grew 48% YoY in H1/2019. The growth contribution accounted partly from sales recognition from Long Quan Safe Food JSC (LQSF), Vietnam and 19% YoY growth from other international sales revenue. In addition, the Company and its subsidiaries will continually focus on the performance recovery by strict cost control and cost reduction, ramping up asset utilization to manage fixed costs, and most importantly focus on cash management to enhance liquidity. In Q2/2019, with our mentioned efforts, we have recognized apparent expenses decrease. The H2/2019, the Company and its subsidiaries will closely monitor and control the operation to achieve our turnaround plan.