

(revised)

**Malee Group Public Company Limited and Its Subsidiaries
Management Discussion and Analysis
For the First Quarter ended 31 March 2019**



1. Q1/2019 Highlights

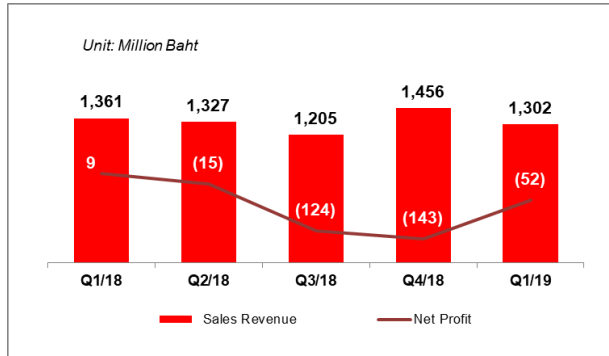


Figure 1: Quarterly results

- 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 (precisely after incubation period) 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.

- In Q1/2019, the Company and its subsidiaries recorded total sales of Baht 1,302 million, a decrease of 4% YoY, mainly due to financial statement adjustment in accordance with new Thai accounting standards and decline in overall fruit juice market. Export branded sales continued to grow significantly at 120% YoY from sales recognition of Long Quan Safe Food JSC (LQSF) in Vietnam. If excluding LQSF, export branded sales still increased 31% YoY.

If according to the former accounting standards, in Q1/2019 the Company and its subsidiaries recorded total sales of Baht 1,358 million which was roughly the same as total sales in Q1/2018 of Baht 1,361 million.

- In Q1/2019, the Company and its subsidiaries recorded loss of Baht 52 million, decreasing from Q1/2018 that recognized net profit Baht 9 million, due to 1) sales shrinkage in CMG and domestic branded sales; 2) higher cost per unit as a result of lower utilization rate; and 3) higher finance costs due to higher borrowings as a result of previous investments in machinery, subsidiaries, and joint ventures. However, there is an improvement comparing to Q4/2018 loss of Baht 143 million due to higher utilization rate as well as tight costs and expenses control.
- EBITDA in Q1/2019 was Baht 9 million, a decline of 88% YoY but an 107% upturn QoQ.

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

In Q1/2019, domestic RTD fruit juice market continued to decrease 7% YoY amid the slowdown of overall food and beverage product.

Meanwhile, Moving Annual Total (MAT) March 2019 of domestic RTD fruit juice market was Baht 11,639 million. RTD fruit juice market value and growth is as shown in figure 2.

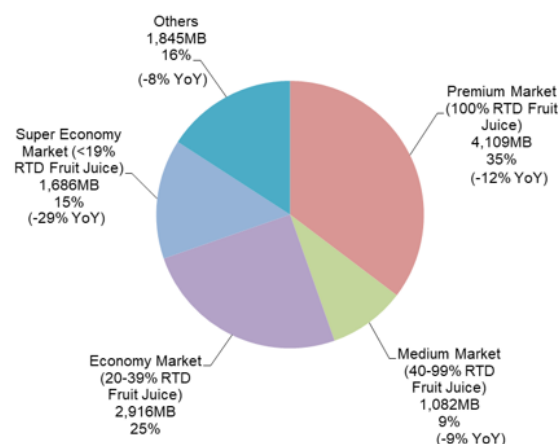


Figure 2: MAT March 2019 RTD Fruit Juice Market Value breakdown by Market Segment
(Source : Nielson)

3. Results of Operations and Profitability

Q1/2019 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 1,302 million, a decrease of 4% YoY from financial statement adjustment in accordance with new Thai accounting standards. Details are as follows:

- Domestic Branded Business (Brand) sales decreased 19% YoY, mainly due to financial statement adjustment in accordance with new Thai accounting standards and the sales drop in fruit juice.
- Export Branded Business sales rose 120% YoY, mainly due to sales recognition from Long Quan Safe Food JSC (LQSF), Vietnam. If excluding LQSF, export Branded Business sales still increased 31% YoY.
- Total Contract Manufacturing Business (CMG) sales decreased 13% YoY.

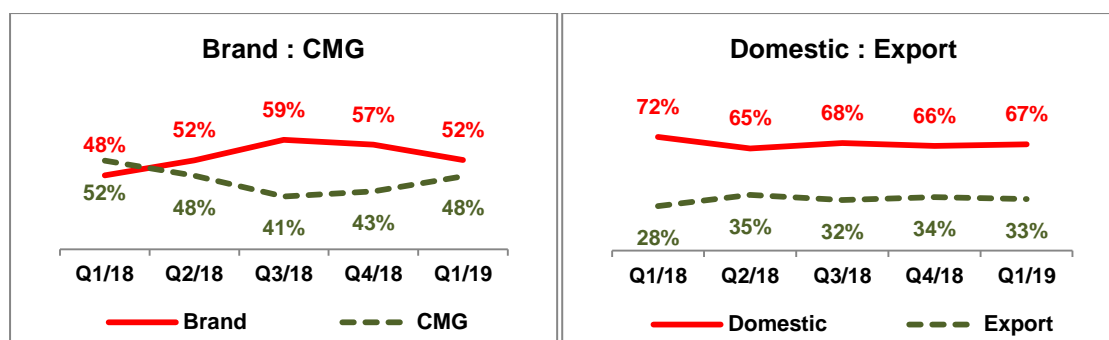
Sales breakdown by business and geography are as follows:

Sales Breakdown by Business:

- Brand: Baht 683 million, up 5% YoY.
- CMG: Baht 618 million, down 13% YoY.
- Sales ratio of Brand: CMG was 52:48, compared with 48:52 in Q1/2018.

Sales Breakdown by Geography:

- Domestic: Baht 878 million, down 10% YoY.
- Export: Baht 424 million, up 11% YoY.
- Sales ratio of Domestic: Export was 67:33, compared with 72:28 in Q1/2018.



Q1/2019 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 1,074 million. Cost of goods sold to sales increased to 83% from 75% in Q1/2018, 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.

Q1/2019 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 228 million, a decrease of 33% YoY, representing gross profit margin of 17%, reduced from 25% in Q1/2018 due to financial statement adjustment in accordance with new Thai accounting standards, and higher cost of goods sold and higher depreciation as previously described.

Q1/2019 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 153 million, a decrease of 25% YoY. Selling expenses to sales reduced to 12% from 15% in Q1/2018 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.

Q1/2019 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 141 million, an increase of 11% YoY. Administrative expenses to sales increased to 11% from 9% in Q1/2018, mainly due to financial statement adjustment in accordance with new Thai accounting standards, higher employee benefits accrued, and administrative expenses recognition from Long Quan Safe Food JSC (LQSF).

Q1/2019 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 16 million, an increase of 32% YoY due to higher borrowings as a result of investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas.

Q1/2019 Net Profit

The Company and its subsidiaries recorded net loss of Baht 52 million, a decrease from net profit of Baht 9 million in Q1/2018, mainly due to 1) sales decrease; 2) higher cost per unit as a result of lower utilization rate; 3) selling and administrative expenses recognition from Long Quan Safe Food JSC (LQSF); 4) higher employee benefit accrued; and 5) higher finance costs due to higher borrowings as a result of previous investment. However, the Company has been focusing on following recovery plans and has improved loss from Q4/2018 at Baht 143 million by escalating utilization rate, and better expenses and costs control and reduction.

4. Financial Position of the Company and its Subsidiaries

(Unit: Baht Million)	31 March 2019	31 December 2018 (Audited) (Restated)	% Change
Cash and cash equivalents	127	122	+4%
Trade receivables	891	705	+26%
Inventories	676	897	-25%
Other current assets	121	173	-30%
<i>Total current assets</i>	<i>1,814</i>	<i>1,898</i>	-4%
Property, plant and equipment	2,091	2,130	-2%
Goodwill	53	55	-2%
Investments in joint venture	53	45	+17%
Other non-current assets	598	577	+4%
<i>Total non-current assets</i>	<i>2,795</i>	<i>2,807</i>	-0%
Total Assets	4,609	4,705	-2%
Bank overdrafts and short-term loans from financial institutions	1,474	1,512	-2%
Trade payables	436	433	+1%
Current portion of long-term loans from financial institutions	126	190	-34%
Current portion of liabilities under financial lease agreements	33	33	-2%
Other non-current liabilities	340	349	-3%
<i>Total Current Liabilities</i>	<i>2,408</i>	<i>2,517</i>	-4%
Long-term loans, net of current portion from financial institutions	655	599	+9%
Liabilities under financial lease agreements, net of current portion	51	58	-12%
Other non-current liabilities	279	276	+1%
<i>Non-current Liabilities</i>	<i>985</i>	<i>932</i>	+6%
Total Liabilities	3,393	3,450	-2%
Authorized share capital	140	140	+0%
Issued and fully paid-up share capital	140	140	+0%
Share premium	6	6	-0.0%
Retained earnings	866	908	-4.6%
Other components of equity	196	189	+4%
Deduct: Treasury stock	(114)	(114)	+0%
Total equity of parent Company's shareholders	1,093	1,128	-3%
Non-controlling interests	123	126	-2%
Total Shareholders' Equity	1,216	1,255	-3%
Total Liabilities and Shareholders' Equity	4,609	4,705	-2%

Assets

As at 31 March 2019, the Company and its subsidiaries had total assets of Baht 4,609 million, an decrease of 2% from Baht 4,704 million as at 31 December 2018. the main factor from the decrease in inventories and Property, plant and equipment LQSF's decreased from the end of 2018 Assets

Liabilities

As at 31 March 2019, the Company and its subsidiaries had total Liabilities of Baht 3,393 million, an decrease of 2% from Baht 3,450 million as at 31 December 2018, mainly due to an increase in loans from financial institutions for the Company's investments and working capital.

Shareholders' Equity

As at 31 March 2019, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 1,093 million, a decrease of 3% from Baht 1,128 million as at 31 December 2018, mainly due to net loss of Baht 51 million in Q1/2019.

5. Liquidity and Capital Resources

Current Ratio

As at 31 March 2019, the Company and its subsidiaries recorded current ratio of 0.75x, equal to the figure at the end of last year.

Consolidated	2019	2018
Current Ratio (Times)	0.75	0.75
Interest-bearing Debt to Equity (Times)	2.14	2.00

Interest-bearing Debt to Equity

As at 31 March 2019, the Company and its subsidiaries recorded Interest-bearing Debt to Equity (IBD/E) of 2.14x, an increase from 2.00x as at the end of last year, due to loss in operation leading to decrease of shareholders' equity more than interest-bearing debt recognition.

Cash Flow

(Unit: Baht Million)	31/3/2019	31/3/2018	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	40	84	-52%
Profit (loss) from changes in operating assets and liabilities	77	(60)	+229%
Net Cash flows from (used in) operating activities	118	24	+398%
Cash paid from business combination	0	0	-
Cash paid for increased investments in joint ventures	10	0	-100%
Acquisition of property, plant and equipment	(21)	(26)	+19%
Net Cash flows from other investing activities	0	13	-100%
Net Cash flows from (used in) investing activities	(31)	(13)	-134%
Increase (decrease) in bank overdraft and short - term loans from financial institutions	(38)	318	-112%
Increase (decrease) in long-term loans from financial institutions	0	200	-100%
Repayment of long-term loans from financial institutions	(20)	(71)	+72%
Cash paid to liabilities under finance lease agreement	5	(11)	+142%
Treasury shares	0	(114)	+100%
Finance costs paid	(21)	(6)	-262%
Dividend paid	0	(0)	+100%
Cash from other financing activities	0	0	-
Net Cash flows from (used in) financing activities	(75)	316	-124%
Exchange differences on translating financial statements	0	0	-
Net increase (decrease) in cash and cash equivalents	5	326	-99%
Cash and cash equivalents at beginning of periods	122	100	+22%
Cash and cash equivalents at end of periods	127	426	-70%

In Q1/2019, the Company and its subsidiaries recorded ending cash of Baht 127 million, an increase from Baht 122 million at the end of 2018, with details as follows:

- Net cash received from operating activities of Baht 118 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 40 million; and (2) cash inflows from net change in working capital of Baht 77 million
- Net cash used in investing activities of Baht 31 million, comprising of (1) cash outflows from investments in fixed assets of Baht 21 million; (2) other cash inflows from other investing activities of Baht 10 million.
- Net cash received in financing activities of Baht 75 million, consisting of (1) repayment to short-term loans from financial institutions of Baht 38 million; (2) repayment to long-term loans from financial institutions of Baht 20 million; (3) cash inflows from liabilities under financial lease agreement of Baht 5 million; and (4) cash paid to finance costs of Baht 21 million

6. Forward Looking

In 2019 the Company and its subsidiaries will continue to focus on the performance recovery by strict cost control and cost reduction management, ramping up asset utilization to manage fixed costs, stop additional investments, and most importantly focus on cash management to enhance liquidity. The planned measures aim for utilizing the Company's investment in the past 3 years to reach cost-effectiveness and break-even point as soon as possible. In Q1/2019, with our mentioned efforts, we saw positive recovery signs from Q3/2018 and Q4/2018 that realized loss of Baht 124 and 143 million, respectively.