



**Malee Group Public Company Limited and Its Subsidiaries  
Management Discussion and Analysis  
For the year ended 31 December 2019**

**1. Year 2019 Highlights**

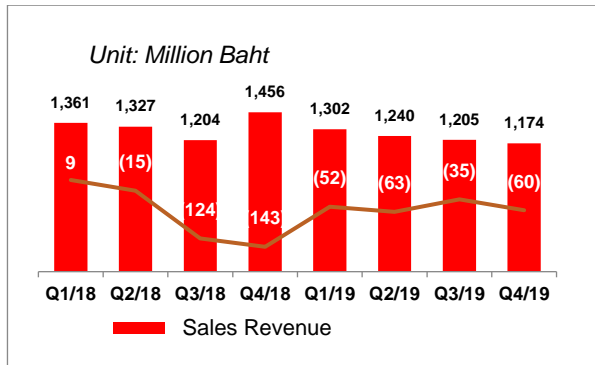


Figure 1: Quarterly results

- In Q4/2019, the Company and its subsidiaries recorded total sales of Baht 1,174 million, a decrease of 19% YoY, occurred from a decline in domestic branded sales and impacted from financial statement adjustment in accordance with new Thai accounting standards. According to the previous accounting standards, Q4/2019 total sales would have been Baht 1,350 million which was lower than Q4/2018 total sales of Baht 1,456 million, a decline of 7% YoY.
- In 2019, the Company and its subsidiaries recorded total sales of Baht 4,921 million, a decrease of 8% YoY, mainly due to 16% YoY decline in domestic branded sales and financial statement adjustment in accordance with new Thai accounting standards, while export branded sales increased 9% YoY. According to the previous accounting standards, the Company and its subsidiaries would have recognized a total sales Baht 5,248 million, lower than Year 2018 total sales of Baht 5,349 million, or a decrease of 2% YoY.
- In Q4/2019, the Company and its subsidiaries recorded loss of Baht 60 million, loss decreasing from Q4/2018 that recognized net loss Baht 143 million. Greater performance resulted from efficient process improvement as well as selling and administrative expense reduction. However, outstanding loss remained due to 1) sales shrinkage; 2) higher cost as a result of higher depreciation from investments in machinery; 3) higher financial costs from investments; and 4) one-time employee compensation of Baht 32 million.
- In 2019, the Company and its subsidiaries recorded loss of Baht 210 million, loss decreasing from the previous year that recognized net loss Baht 286 million. Greater performance resulted from efficient process improvement as well as selling and administrative expense reduction. However, outstanding loss remained due to 1) sales shrinkage; 2) higher cost as a result of higher depreciation from investments in machinery; 3) higher financial costs from investments; 4) one-time employee compensation of Baht 32 million; and 5) one-time loss from selling unused, outdated machines Baht 23 million.

- 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

In 2019, moving Annual Total (MAT) Year 2019 of domestic RTD fruit juice market was Baht 11,324 million, a decrease of 1% YoY. RTD fruit juice market value and growth is as shown in figure 2. ( Source: Nielsen)

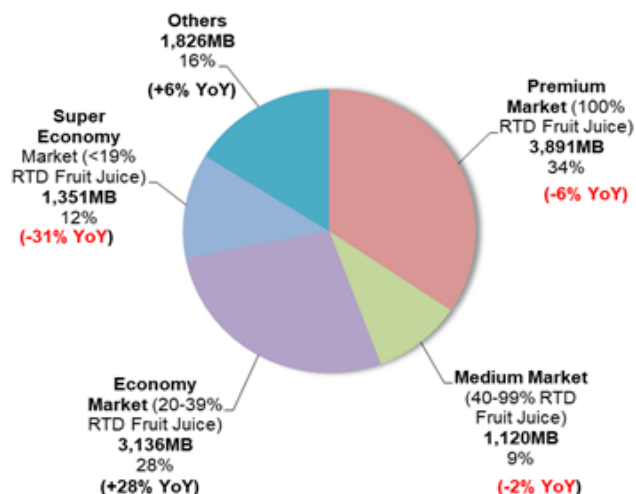


Figure 2: MAT December 2019 RTD Fruit Juice Market Value breakdown by Market Segment (Source: Nielsen)

## 3. Results of Operations and Profitability

### Consolidated financial statements

(Unit : Baht Million)	Q4/2019	Q4/2018	%YoY	2019	2018	%YoY
Revenues from sales and services	1,174	1,456	-19%	4,921	5,339	-8%
Cost of goods sold and services	966	1,189	-19%	4,101	4,185	-2%
Gross profit	208	267	-22%	820	1,154	-29%
% gross profit	17.7%	18.3%		16.7%	21.6%	
Selling expenses	123	290	-57%	535	944	-43%
% selling expenses to sales	10.5%	19.9%		10.9%	17.7%	
Administrative expenses *	190	154	+24%	550	577	-5%
% Administrative expenses to sales	16.2%	10.6%		11.2%	10.8%	
Finance costs	14	17	-17%	66	60	+10%
Share of profit (loss) from investment in subsidiaries and joint ventures	(8)	(0)	-5374%	(12)	(16)	+28%
Tax (income)	(17)	(48)	+65%	(66)	(101)	+35%
Net profit (loss) major shareholders equity	(60)	(143)	+58%	(210)	(286)	+27%
% net profit (loss)	(4.9%)	(9.8%)		(4.2%)	(5.3%)	
Depreciation and amortization	45	50	-11%	230	185	+24%
EBITDA	(18)	(124)	+86%	21	(87)	+124%
%EBITDA	(1.5%)	(8.5%)		0.4%	(1.6%)	

\* Administrative expenses in Q4/2019 included one-time expenses of employee compensation Baht 32 million. However, if this amount was excluded, administrative expense would decrease from 16.2% to 13.5%.

**Q4/2019 Sales Revenue**

The Company and its subsidiaries recorded sales revenue of Baht 1,174 million, a decrease of 19% YoY, mainly due to domestic branded sales shrinkage and financial statement adjustment in accordance with new Thai accounting standards.

According to the previous accounting standards, Q4/2019 total sales would have been Baht 1,350 million which was lower than Q4/2018 total sales of Baht 1,456 million, a decline of 7% YoY.

Details are as follows:

- Domestic Branded Business sales decreased 19% YoY.
- Export Branded Business sales declined 0.2% YoY. Excluding Long Quan Safe Food JSC (LQSF) Vietnam, Export Branded Business sales grew 6% YoY.
- Total Contract Manufacturing Business (CMG) sales decreased 30% YoY.

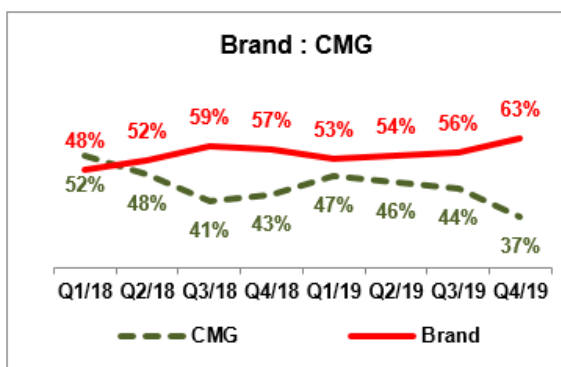
*Sales breakdown by business and geography are as follows:*

Sales Breakdown by Business:

- Brand: Baht 737 million, down 12% YoY.
- CMG: Baht 437 million, down 30% YoY.
- Sales ratio of Brand: CMG was 63:37, compared with 57:43 in Q4/2018.

*Sales Breakdown by Geography:*

- Domestic: Baht 679 million, down 30% YoY.
- Export: Baht 495 million, up 1% YoY.
- Sales ratio of Domestic: Export was 58:42, compared with 66:34 in Q4/2018.



**Year 2019 Sales Revenue**

The Company and its subsidiaries recorded sales revenue of Baht 4,921 million, a decrease of 8% YoY, mainly due to domestic branded sales shrinkage and financial statement adjustment in accordance with new Thai accounting standards.

According to the previous accounting standards, Year 2019 total sales would have been Baht 5,248 million which was lower than Year 2018 total sales of Baht 5,349 million, a decline of 2% YoY.

Details are as follows:

- Domestic Branded Business sales decreased 17% YoY.
- Export Branded Business sales increased 24% 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 13% YoY.

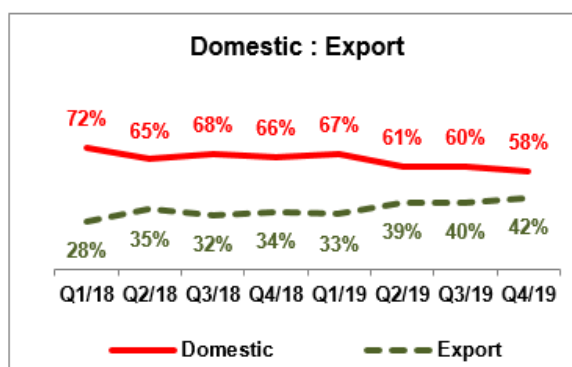
*Sales breakdown by business and geography are as follows:*

Sales Breakdown by Business:

- Brand: Baht 2,767 million, down 4% YoY.
- CMG: Baht 2,154 million, down 13% YoY.
- Sales ratio of Brand: CMG was 56:44, compared with 54:46 in previous year.

*Sales Breakdown by Geography:*

- Domestic: Baht 3,038 million, down 16% YoY.
- Export: Baht 1,883 million, up 9% YoY.
- Sales ratio of Domestic: Export was 62:38, compared with 68:32 in previous year.



#### Q4/2019 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 966 million. Cost of goods sold to sales increased to 82.3% from 81.7% in Q4/2018, mainly due to sales reduction and financial statement adjustment in accordance with new Thai accounting standards.

#### Q4/2019 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 208 million, a decrease of 22% YoY, representing gross profit margin of 17.7%, reduced from 18.3% in Q4/2018, mainly due to sales decline and financial statement adjustment in accordance with new Thai accounting standards.

#### Q4/2019 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 123 million, a decrease of 57% YoY. Selling expenses to sales reduced to 10.5% from 19.9% in Q4/2018 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.

#### Q4/2019 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 190 million, an increase of 24% YoY. Administrative expenses to sales increased to 16.2% from 10.6% in Q4/2018, mainly due to one-time expense from employee compensation Baht 32 million, domestic branded sales decline, and the decrease in sales impacted from financial statement adjustment in accordance with new Thai accounting standards.

However, if employee compensation was excluded, administrative expenses to sales would decrease from 16.2% to 13.5%.

#### Q4/2019 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 14 million, a decrease of 17% YoY because of reduced loan due to repayment.

#### Year 2019 Cost of Goods Sold

The Company and its subsidiaries recorded cost of goods sold of Baht 4,101 million. Cost of goods sold to sales increased to 83.3% from 78.4% in previous year, mainly due to sales reduction, higher depreciation, and financial statement adjustment in accordance with new Thai accounting standards.

#### Year 2019 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 820 million, a decrease of 29% YoY, representing gross profit margin of 16.7%, reduced from 21.6% in previous year, mainly due to financial statement adjustment in accordance with new Thai accounting standards.

#### Year 2019 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 535 million, a decrease of 43% YoY. Selling expenses to sales reduced to 10.9% from 17.7% in previous year 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.

#### Year 2019 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 550 million, a decrease of 5% YoY. Administrative expenses to sales increased to 11.2% from 10.8% in previous year, mainly due to one-time expense from employee compensation Baht 32 million, domestic branded sales decline, and the decrease in sales impacted from financial statement adjustment in accordance with new Thai accounting standards.

However, if employee compensation was excluded, administrative expenses to sales would decrease from 11.2% to 10.5%.

#### Year 2019 Finance Costs

The Company and its subsidiaries recorded finance costs of Baht 66 million, an increase of 10% YoY due to higher loan as a result of investments in machinery, subsidiaries, and joint ventures both in Thailand and overseas.

Q4/2019 Net Profit

The Company and its subsidiaries recorded net loss of Baht 60 million, a decrease loss from net loss of Baht 143 million in Q4/2018 because of efficient process improvement, and selling and administrative expense reduction. However, outstanding loss remained due to 1) domestic branded business sales shrinkage; 2) higher depreciation from investments in machinery; 3) higher financial costs from investments; and 4) one-time expenses of employee compensation Baht 32 million.

Year 2019 Net Profit

The Company and its subsidiaries recorded net loss of Baht 210 million, a decrease loss from net loss of Baht 286 million in previous year. In 2019, better performance resulted from efficient process improvement as well as selling and administrative expense reduction. However, outstanding loss remained due to 1) sales shrinkage; 2) higher cost as a result of higher depreciation from investments in machinery; 3) higher financial costs from investments; 4) one-time expenses of employee compensation Baht 32 million; and 5) one-time loss from selling unused, outdated machines Baht 23 million.

**4. Financial Position of the Company and its Subsidiaries**

(Unit: Baht Million)	30 December 2019	31 December 2018	% Change
Cash and cash equivalents	119	103	15.1%
Account receivables	737	700	5.3%
Inventories	512	885	(42%)
Other current assets	109	175	(38%)
<i>Total current assets</i>	<b>1,477</b>	<b>1,864</b>	(21%)
Property, plant and equipment	1,983	2,132	(7%)
Goodwill	48	52	(7%)
Investments in joint venture	72	56	28.5%
Other non-current assets	575	565	1.9%
<i>Total non-current assets</i>	<b>2,679</b>	<b>2,805</b>	(4%)
<b>Total Assets</b>	<b>4,156</b>	<b>4,668</b>	<b>(11%)</b>
Bank overdrafts and short-term loans from financial institutions	1,439	1,536	(6%)
Account payables	373	413	(10%)
Current portion of long-term loans from financial institutions	143	190	(25%)
Current portion of liabilities under financial lease agreements	38	33	15.6%
Other non-current liabilities	361	403	(10%)
<i>Total Current Liabilities</i>	<b>2,356</b>	<b>2,576</b>	(9%)
Long-term loans, net of current portion from financial institutions	541	599	(10%)
Liabilities under financial lease agreements, net of current portion	43	58	(26%)
Other non-current liabilities	263	276	(5%)
<i>Non-current Liabilities</i>	<b>847</b>	<b>932</b>	(9%)
<b>Total Liabilities</b>	<b>3,203</b>	<b>3,508</b>	<b>(9%)</b>
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	628	829	(24%)
Other components of equity	225	189	19.1%
Deduct: Treasury stock	(114)	(114)	0.0%
<b>Total equity of parent Company's shareholders</b>	<b>885</b>	<b>1,049</b>	<b>(16%)</b>
Non-controlling interests	99	111	(10%)
<b>Total Shareholders' Equity</b>	<b>984</b>	<b>1,160</b>	<b>(15%)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>4,187</b>	<b>4,668</b>	<b>(10%)</b>

## Assets

As at 31 December 2019, the Company and its subsidiaries had total assets of Baht 4,156 million, a decrease of 11% from Baht 4,668 million as of 31 December 2018. The main factors include the decrease of inventories and fixed assets.

## Liabilities

As at 31 December 2019, the Company and its subsidiaries had total Liabilities of Baht 3,203 million, a decrease of 9% from Baht 3,508 million as of 31 December 2018, mainly due to a decrease in loans from financial institutions.

## Shareholders' Equity

As at 31 December 2019, the Company and its subsidiaries had total equity of parent Company's shareholders of Baht 885 million, a decrease of 16% from Baht 1,049 million as of 31 December 2018, mainly due to net loss performance.

## 5. Liquidity and Capital Resources

### Current Ratio

As at 31 December 2019, the Company and its subsidiaries recorded current ratio of 0.64x, a decrease from 0.72x as of 31 December 2018 because decreases in inventories were greater than current liabilities that the Company repaid loans from financial institutions.

Interest-bearing debt to equity ratio increased from 2.3x to 2.49x because loans from financial institutions reduced less than the decrease of the parent company's shareholders.

Consolidated	2019	2018
Current Ratio (Times)	0.64	0.72
Interest-bearing Debt to Equity (Times)	2.49	2.30

## Cash Flow

(Unit: Baht Million)	31 Dec 2019	31 Dec 2018	% Change
Profit (loss) from operating activities before changes in operating assets and liabilities	137	(17)	894.2%
Profit (loss) from changes in operating assets and liabilities	196	152	28.6%
<b>Net Cash flows from (used in) operating activities</b>	<b>333</b>	<b>135</b>	146.3%
Cash paid from business combination	(0)	(274)	100.0%
Cash paid for increased investments in joint ventures	(54)	(13)	(324%)
Acquisition of property, plant and equipment	(23)	(141)	83.4%
Net Cash flows from other investing activities	0	(49)	101.0%
<b>Net Cash flows from (used in) investing activities</b>	<b>(77)</b>	<b>(476)</b>	<b>83.8%</b>
Increase (decrease) in bank overdraft and short - term loans from financial institutions	(97)	208	(146%)
Increase (decrease) in long-term loans from financial institutions	(104)	415	(125%)
Repayment of long-term loans from financial institutions	(10)	0	-
Cash paid to liabilities under finance lease agreement	0	(34)	100.0%
Treasury shares	0	(114)	100.0%
Finance costs paid	(66)	(63)	(6%)
Dividend paid	(0)	(69)	100.0%
<b>Net Cash flows from (used in) financing activities</b>	<b>(277)</b>	<b>343</b>	<b>(181%)</b>

(Unit: Baht Million)	31 Dec 2019	31 Dec 2018	% Change
Exchange differences on translating financial statements	37	0	67,120%
Net increase (decrease) in cash and cash equivalents	16	3	480.7%
Cash and cash equivalents at beginning of periods	103	100	2.7%
<b>Cash and cash equivalents at end of periods</b>	<b>119</b>	<b>103</b>	<b>15.1%</b>

In 2019, the Company and its subsidiaries recorded ending cash of Baht 119 million, an increase from Baht 103 million at the end of 2018, with details as follows:

- Net cash received from operating activities of Baht 333 million, consisting of (1) cash inflows from operating activities before changes in operating assets and liabilities of Baht 137 million; and (2) cash inflows from net change in working capital of Baht 196 million, mainly due to decrease of account receivable and inventories.
- Net cash received in financing activities of Baht 277 million, consisting of (1) repayment to short-term loans from financial institutions of Baht 97 million; (2) repayment to long-term loans from financial institutions of Baht 114 million; and (3) cash paid to finance costs of Baht 66 million.
- Net cash used in investing activities of Baht 77 million, comprising of (1) cash outflows from investment in joint venture of Baht 54 million; and (2) cash outflows from acquisition of property, plant and equipment of Baht 23 million.

## 6. Forward Looking

The Year 2019 was another challenging year for the Company. We dealt with uncontrollable external factors, such as the overall domestic economic condition causing diminishing confidence and lower purchasing power, international trade war, and the appreciation of Thai Baht. The Company focused our energy and resources in accelerating our plans to increase export branded sales and to improve internal work process for greater efficiency with the goal to create stability and sustainability in the long term. Even though our sales decreased from the previous year and the Company still recognized loss, due to our efforts in strict costs and expenses controls and reductions, the operations showed an improvement and a positive sign in performance recovery.

For the year 2020, the Company will continuously improve our operations in order to satisfy customer needs in both quality and excellent services. Our aims are to 1) continue our focus on expanding export branded business; 2) continue to improve work processes in all areas for higher efficiency; 3) strict costs and expenses controls and reductions; and 4) ramp up assets utilization. We are confident that these measures will leverage our business performances as a whole and we will grow stronger. All these efforts and changes will be an important part in laying a strong foundation for the Company to be able to drive sustainable future growth.