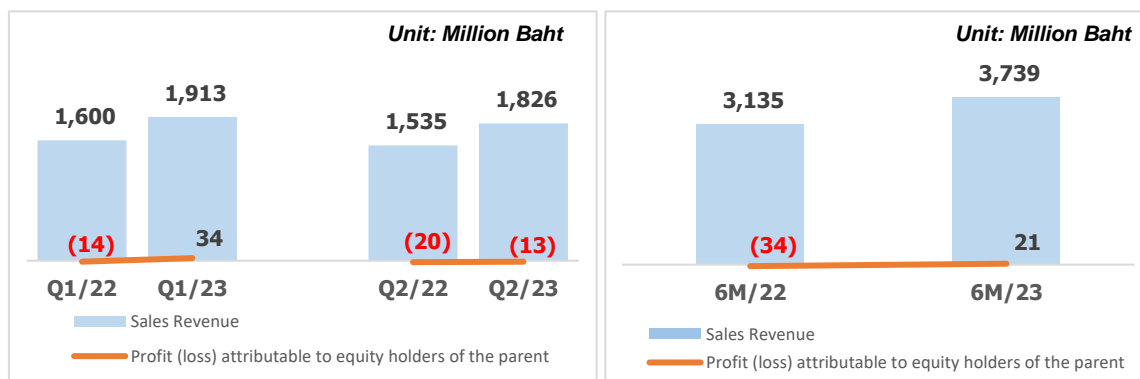


**Malee Group Public Company Limited and Its Subsidiaries**  
**Management Discussion and Analysis**  
**For the Q2/2023 and H1/2022 ended 30 June 2023**



**1. Q2/2023 Highlights**



**Figure 1:** Financial Performance results

- In Q2/2023, the Company and its subsidiaries recorded total sales of Baht 1,826 million, a 19% YoY increase. The main reason for this growth was the increased revenue from all distribution channels. The company invested in marketing to boost sales for the Malee & Chokchai Farm brands, resulting in a 36% YoY growth in the company's Branded Business. This growth was higher than that of the Contract Manufacturing Business (CMG), which increased by 8% YoY. This aligned with the company's strategy focusing on the growth of Focus product SKUs under the Malee & Chokchai Farm brands. The sales and marketing strategies were also adjusted accordingly. In this quarter, the sales growth was not at its full potential due to shortages in key raw materials, such as coconut water and raw milk.
- In Q2/2023, the Company and its subsidiaries incurred a net loss attributable to major shareholders of Baht 13 million, compared to a net loss of Baht 20 million in Q2/2022 (improvement of operating performance by 36% YoY). The primary reason was the higher costs of raw materials, including coconut water, raw milk, the adjusted sugar tax rate, which has been in effect from April 1, 2023, until March 31, 2025 (Phase 3).
- In H1/2023 ending 30 June 2023, the Company and its subsidiaries achieved total sales of Baht 3,739 million, a 19% increase YoY. The primary reason was the increased revenue from all distribution channels. The company invested in marketing to drive sales for the Malee & Chokchai Farm brands, resulting in a 29% YoY growth in the Branded Business segment, which outperformed the growth of the Contract Manufacturing Business (CMG) segment by 13% YoY. This strategy aligned with the company's focus on the growth of Focus product SKUs under Malee & Chokchai Farm brands, along with sales and marketing strategy adjustments. However, in Q2/2023, the sales growth was not fully realized due to shortages of key raw materials, including coconut water and raw milk.
- In H1/2023 ending 30 June 2023, the Company and its subsidiaries recorded a net profit attributable to major shareholders of Baht 21 million (an improvement in operating performance by 161% YoY). This profit was a result of increased sales in all distribution channels by 19% and improved control over sales costs and expenses. Despite the impact of higher costs of raw materials, including coconut water, raw milk, as well as the adjusted sugar tax rate, which has been in effect from April 1, 2023, until March 31, 2025 (Phase 3).

▪ In Q4/2022, the Company acquired 97.73% of Abico Holdings Public Company Limited (ABICO) securities, resulting in a consolidated financial statement from the end of 2022 onwards. The pro forma financial statements for the year 2022 are provided for comparison.

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

At the end of Q2/2023, Moving Annual Total (MAT) of domestic RTD fruit juice market was Baht 9,951 million, an increase of 12% YoY. RTD fruit juice market value and growth is as shown in Figure 2.

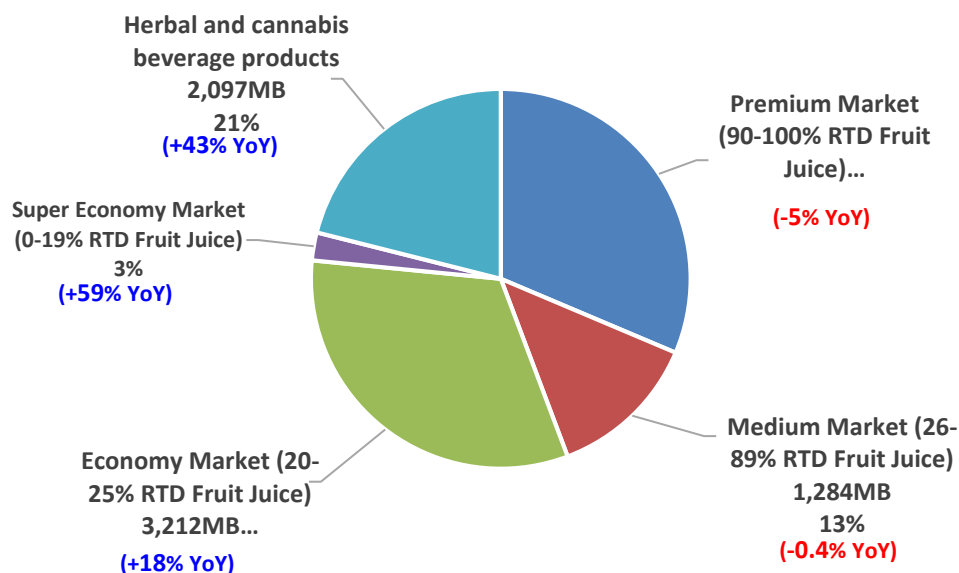


Figure 2: MAT June 2023 RTD Fruit Juice Market Value (Baht 9,951 million) by Market Segment (Source: Nielsen)

## 3. Results of Operations and Profitability

(Unit : Baht Million)	Q2/2023	Q2/2022 (Restated)	%YoY	H1/2023	H1/2022 (Restated)	%YoY
Revenues from sales and services	1,826	1,535	19%	3,739	3,135	19%
Cost of goods sold and services	1,557	1,270	23%	3,137	2,587	21%
Gross profit	269	265	2%	602	549	10%
% gross profit	14.7%	17.3%		16.1%	17.5%	
Selling expenses	122	114	7%	227	219	4%
% selling expenses to sales	6.7%	7.5%		6.1%	7.0%	
Administrative expenses	155	156	(0%)	333	302	10%
% Administrative expenses to sales	8.5%	10.1%		8.9%	9.6%	
Finance costs	19	22	(16%)	40	42	(6%)
Share of profit (loss) from investment in subsidiaries and joint ventures	(0.5)	(1.9)	73%	(0)	(1)	43%
Tax (income)	(8)	(8)	(6%)	(28)	(18)	(57%)
Net profit (loss) major shareholders equity	(13)	(20)	36%	21	(34)	161%
% Net profit (loss)	(0.7%)	(1.3%)		0.6%	(1.1%)	

Q2/2023 Sales Revenue

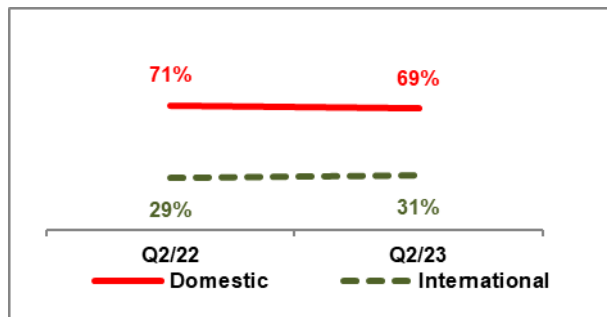
The Company and its subsidiaries recorded sales revenue of Baht 1,826 million, a 19% YoY increase. Details are as follows:

- Domestic Branded Business sales increased 36% YoY.
- Export Branded Business sales increased 36% YoY.
- Total Contract Manufacturing Business (CMG) sales increased 8% YoY.

The overall sales of the company's Branded Business (Brand) increased by 36% YoY, growing higher than the 8% YoY sales increase of the Contract Manufacturing Business (CMG). This was in line with the company's strategy emphasizing the growth of Focus product SKUs under Malee & Chokchai Farm brands, focusing on, as well as adjusting sales strategies and investing in marketing to sustainably drive sales for both Malee and Chokchai Farm brands. However, in Q2/2023, the sales growth was not fully realized due to the shortage of key raw materials, including coconut water and raw milk.

*Sales Breakdown by Geography:*

Domestic: Baht 1,259 million, increased 16% YoY.  
 Export: Baht 567 million, increased 25% YoY.  
 Sales ratio of Domestic : International was 69:31, compared with 71:29 in Q2/2022.



H1/2023 Sales Revenue

The Company and its subsidiaries recorded sales revenue of Baht 3,739 million, an increase of 19% YoY. Details are as follows:

- Domestic Branded Business sales increased 31% YoY.
- Export Branded Business sales increased 27% YoY.
- Total Contract Manufacturing Business (CMG) sales increased 13% YoY.

The overall sales of the company's Branded Business (Brand) increased by 29% YoY, growing higher than the 13% YoY sales increase of the Contract Manufacturing Business (CMG). This aligned with the company's strategy aiming on the growth of Focus product SKUs under the Malee & Chokchai Farm brands. This strategy involved adjusting sales tactics and investing in marketing to sustainably drive sales for both Malee & Chokchai Farm brands. However, in Q2/2023, the sales growth was not fully realized due to the shortage of key raw materials, including coconut water and raw milk.

*Sales Breakdown by Geography:*

Domestic: Baht 2,663 million, increased 18 % YoY.  
 Export: Baht 1,076 million, increased 22% YoY.  
 Sales ratio of Domestic : International was 71:29, compared with 72:28 in Q2/2022.

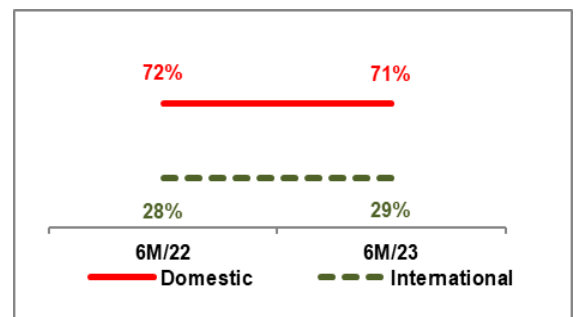


Figure 3: Sales Proportion by Geographic Regions

Q2/2023 Cost of Goods Sold

The Company and its subsidiaries had a total cost of goods sold of Baht 1,557 million, with a cost of goods sold to sales ratio of 85.3%, increasing from 82.7% in Q2/2022. This increase was due to higher costs of raw materials such as agricultural raw materials, coconut water, and raw milk, packaging materials, public utility and transportation expenses. Additionally, the sugar tax has been adjusted since April 1, 2023.

Q2/2023 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 269 million, an increase of 2% YoY, representing an initial profit margin of 14.7%, dropped from 17.3% in Q2/2022. This decrease was a result of the increased cost of goods sold.

Q2/2023 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 122 million, representing a sales expense-to-sales ratio of 6.7%, a decrease from 7.5% in Q2/2022. This reduction was due to increased sales and improved efficiency in controlling sales expenses.

Q2/2023 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 155 million, representing a management expense-to-sales ratio of 8.5%, a decrease from 10.1% in Q2/2022. This reduction was due to increased sales and improved efficiency in controlling management expenses.

Q2/2023 Financial Costs

The Company and its subsidiaries had financial costs of Baht 19 million in Q2/2023, compared to Baht 22 million in Q2/2022, representing a decrease of 16% YoY. This reduction was due to a decrease in interest expenses from the repayment of loans borrowed from financial institutions

H1/2023 Cost of Goods Sold

The Company and its subsidiaries had a total cost of goods sold of Baht 3,137 million, with a cost of goods sold to sales ratio of 83.9%, an increase from 82.5% in the same period of the previous year. This increase was due to higher costs of raw materials such as agricultural raw materials, coconut water, and raw milk, packaging materials, public utility and transportation expenses. Additionally, the sugar tax has been adjusted since April 1, 2023

H1/2023 Gross Profit

The Company and its subsidiaries recorded gross profit of Baht 602 million, an increase of 10% YoY, representing an initial profit margin of 16.1%, decreased from 17.5% in the same period of the previous year. This decrease was a result of the increased cost of goods sold.

H1/2023 Selling Expenses

The Company and its subsidiaries recorded selling expenses of Baht 227 million, representing a sales expense-to-sales ratio of 6.1%, a decrease from 7.0% in the same period of the previous year. This reduction was due to increased sales and improved efficiency in controlling sales expenses.

H1/2023 Administrative Expenses

The Company and its subsidiaries recorded administrative expenses of Baht 333 million, representing a management expense-to-sales ratio of 8.9%, a decrease from 9.6% in the same period of the previous year. This reduction was due to increased sales and improved efficiency in controlling management expenses, despite the increase in consulting fees related to the adjustment of the business structure in Q1/2023, which was a one-time expense.

H1/2023 Financial Costs

The Company and its subsidiaries had financial costs of Baht 40 million for H1/2023, compared to Baht 42 million for H1/2022, representing a decrease of 6% YoY. This reduction was due to a decrease in interest expenses from the repayment of loans borrowed from financial institutions

Q2/2023 Net Profit (Loss)

The Company and its subsidiaries incurred a net loss attributable to the major shareholders of Baht 13 million in Q2/2023, compared to a net loss of Baht 20 million in Q2/2022 (a 36% YoY improvement). The primary reason was the increased cost of goods sold due to price increase across all items (agricultural raw materials, coconut water, raw milk, packaging materials, public utility, transportation). Additionally, the increase in the sugar tax rate, effective from Phase 3 since April 1, 2023 contributed to this result.

H1/2023 Net Profit (Loss)

The Company and its subsidiaries reported a net profit attributable to the major shareholders of Baht 21 million in H1/2023, compared to a net loss attributable to the major shareholders of Baht 34 million in H1/2022 (a 161% YoY improvement). The primary reason for this positive change was the increased sales performance across all channels and improved control over product costs and selling expenses. This improvement was achieved even though there were price increase of all items in the cost of goods sold (agricultural raw materials, coconut water, raw milk, packaging materials, public utility, transportation). Additionally, the increase in the sugar tax rate in Phase 3 since April 1, 2023 contributed to this result.

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

<b>(Unit: Baht Million)</b>	<b>30 Jun 2023</b>	<b>31 Dec 2022</b>	<b>% Change</b>
Cash and cash equivalents	256	98	161.4%
Trade and other receivables	1,192	1,172	1.7%
Inventories	722	835	(13.6%)
Other current assets	140	97	44.4%
<b>Total current assets</b>	<b>2,310</b>	<b>2,203</b>	<b>4.9%</b>
Property, plant and equipment	2,333	2,368	(1.5%)
Goodwill	58	56	3.1%
Investments in joint venture	15	14	4.4%
Biological assets – dairy cow	54	50	6.6%
Right to claim from the former shareholder	36	35	3.1%
Other non-current assets	858	892	(3.8%)
<b>Total non-current assets</b>	<b>3,354</b>	<b>3,416</b>	<b>(1.8%)</b>
<b>Total Assets</b>	<b>5,665</b>	<b>5,619</b>	<b>0.81%</b>
Bank overdrafts and short-term loans from financial institutions	1,102	1,400	(21.3%)
Trade and other payables	787	878	(10.4%)
Advances from customers	72	52	38.5%
Current portion of long-term loans from financial institutions	419	46	817.8%
Current portion of liabilities under financial lease agreements	67	69	(3.0%)
Other current liabilities	431	398	8.3%
<b>Total Current Liabilities</b>	<b>2,878</b>	<b>2,843</b>	<b>1.3%</b>
Long-term loans, net of current portion from financial institutions	363	774	(53.1%)
Liabilities under financial lease agreements, net of current portion	156	182	(14.3%)
Other non-current liabilities	337	323	4.4%
<b>Non-current Liabilities</b>	<b>856</b>	<b>1,279</b>	<b>(33.1%)</b>
<b>Total Liabilities</b>	<b>3,734</b>	<b>4,122</b>	<b>(9.4%)</b>
Authorized share capital	276	276	0.0%
Issued and fully paid-up share capital	273	273	0.0%
Share premium	1,362	1,362	0.0%

Deficit from business combination under common control	(355)	(355)	0.0%
Retained earnings	159	51	210.0%
Other components of equity	537	533	0.7%
Equity of Parent Company's S/H	(120)	(452)	73.4%
Equity attributable to shareholders of the subsidiaries before business combination under common control	<b>1,855</b>	<b>1,412</b>	<b>31.3%</b>
Non-controlling interests of the subsidiaries	75	85	(11.5%)
<b>Total Shareholders' Equity</b>	<b>1,930</b>	<b>1,497</b>	<b>28.9%</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>5,665</b>	<b>5,619</b>	<b>0.8%</b>

### **Assets**

As of June 30, 2023, the Company and its subsidiaries had total assets of Baht 5,665 million, representing an increase of 0.81% from Baht 5,619 million as of December 31, 2022. The main contributing factors were an increase in cash and cash equivalents, current financial investments, and other current assets, along with a reduction in inventory.

### **Liabilities**

As of June 30, 2023, the Company and its subsidiaries had total liabilities of Baht 3,734 million, a decrease of 9.4% from Baht 4,122 million as of December 31, 2022. The main factors contributing to this reduction were a decrease in short-term borrowings from financial institutions, trade payables, long-term borrowings from financial institutions, lease liabilities, and an increase in advanced receive for goods.

### **Shareholders' Equity**

As of June 30, 2023, the Company and its subsidiaries had total equity attributable to the parent company of Baht 1,855 million, an increase of 31.3% from Baht 1,412 million as of December 31, 2022. The primary reason for this increase was the sale of shares based on the company's restructuring plan and profitable operating results.

## **5. Liquidity and Capital Resources**

### **Current Ratio**

As of June 30, 2023, the Company and its subsidiaries recorded current ratio of 0.80x, an increase to 0.77x of 31 December 2022.

### **Debt to Equity Ratio**

As of June 30, 2023, the Company and its subsidiaries recorded Interest-bearing debt to equity ratio of 1.02x, decreasing from 1.59x as of 31 December 2022.

<b>Consolidated</b>	<b>30/06/23</b>	<b>31/12/22</b>
Current Ratio (Times)	0.80	0.77
Interest-bearing Debt to Equity (Times)	1.02	1.59

## Cash Flow

(Unit: Baht Million)	6M/2023	6M/2022 (Restated)	% change
Profit (loss) from operating activities before changes in operating assets and liabilities	206	181	14.1%
Profit (loss) from changes in operating assets and liabilities	(42)	(92)	54.2%
<b>Net Cash flows from (used in) operating activities</b>	<b>164</b>	<b>89</b>	<b>84.8%</b>
Cash paid for increased investments in joint ventures	1	0	-
Cash back from investment in joint ventures	4	3	16.1%
Acquisition of equipment	3	5	(36.3%)
Cash paid for equipment	(65)	(39)	(66.4%)
Cash paid for intangible assets	(2)	(1)	(110.9%)
<b>Net Cash flows from (used in) investing activities</b>	<b>(59)</b>	<b>(32)</b>	<b>(87.5%)</b>
Increase (decrease) in bank overdraft and short - term loans from financial institutions	1	1	(21.1%)
Cash received from short-term loans from financial institutions	1,681	1,853	(9.3%)
Cash paid for short-term loans from financial institutions	(1,980)	(1,841)	(7.5%)
Cash received from long-term loans from financial institutions	0	20	(100.0%)
Cash paid for long-term loans from financial institutions	(38)	(70)	46.3%
Cash paid for principal of the lease liabilities	(37)	(39)	6.7%
Cash received by the subsidiary company from the sale of investments	434	0	-
Paying dividends before consolidating businesses.	0	(11)	100.0%
Dividend payments to non-controlling shareholders of subsidiaries without control.	(1)	0	-
<b>Net Cash flows from (used in) financing activities</b>	<b>61</b>	<b>(88)</b>	<b>169.2%</b>
Exchange differences on translating financial statements	(7)	(4)	(65.9%)
Net increase (decrease) in cash and cash equivalents	158	(35)	551.1%
Cash and cash equivalents at beginning of periods	98	126	(21.9%)
<b>Cash and cash equivalents at end of periods</b>	<b>256</b>	<b>90</b>	<b>183.4%</b>

In Q2/2023, the company and its subsidiaries had a net cash of Baht 256 million, an increase of Baht 166 million from Q2/2022, with details as follows:

- Net cash received from operating activities of Baht 164 million, consisting of (1) cash received from operating activities before changes in operating assets and liabilities of Baht 206 million and (2) cash from changes in operating assets and liabilities decreased by Baht 42 million.
- Net cash used in investing activities of Baht 59 million, including (1) cash received from short-term loans to related businesses of Baht 1 million, (2) cash received from the sale of dairy biological assets of Baht 4 million, (3) cash received from the sale of equipment of Baht 3 million, (4) cash paid to purchase equipment of Baht 65 million, and (5) cash paid for the acquisition of intangible assets of Baht 2 million.
- Net cash received from financing activities of Baht 61 million, comprising (1) cash received from overdrafts of Baht 1 million, (2) cash received from short-term borrowings of Baht 1,681 million, (3) repayment of short-term borrowings from financial institutions of Baht 1,980 million, (4) repayment of long-term borrowings of Baht 38 million, (5) repayment of principal of lease liabilities of Baht 37 million, (6) cash received from the subsidiary's sale of investment of Baht 434 million, and (7) dividend payment to non-controlling interests of the subsidiary of Baht 1 million.

## 6. Forward Looking

In Q2/2023, the lifestyle has begun to return to normalcy similar to the situation before the occurrence of COVID-19. Travel, both domestically and internationally, has increased. The number of foreign tourists entering the country in the first half of the year was 12.5 million people, an increase compared to the previous year, but was still significantly lower than before COVID-19.

In H1/2023, Export contracted by 5.4% compared to the same period of the previous year, affecting a slightly expansion on economic and financial systems from the same period of the previous year according to economic activities. Nevertheless, sales were constrained by an ongoing fragile purchasing power.

In terms of sales, the Company focuses on the growth of products under Malee & Chokchai Farm brands, particularly the Focus SKUs. Sales strategies and marketing investments have been adjusted to generate sustainable sales and Top of mind awareness for the Malee & Chokchai Farm brands.

While the situation of raw material costs remains high across all items, in Q2/2023, there was a shortage of some main raw materials, namely coconut water and raw milk. Additionally, starting from April 1, 2023, there was an increase of sugar tax in Phase 3. In August 2022, the Company adjusted the prices of products under Malee brand to mitigate the impact on costs.

For the year 2023, the Company aims to generate sustainable profit growth by accelerating the sales growth of products under the Malee & Chokchai Farm brands, targeting a two-fold increase compared to the growth of contract manufacturing sales. The strategies to achieve this goal remain in line with the aforementioned direction, comprising of the following factors:

- Malee & Chokchai branded products: Concentrate on increasing sales volume in the target market by implementing marketing and sales strategies based on the 4 pillars of commerce: Mental Availability, Physical Availability, Relevant Portfolio, and Improved Customer Preference.
- Contract manufacturing: Increase main customer base and aim to maintain a gross profit margin that is at least equivalent to previous level.
- Enhance organization efficiency and effectiveness, and evaluate the possibility of raising product prices if deemed necessary.
- Drive cost-saving efforts throughout the year by improving production efficiency and identifying ways to manufacture existing products with the same quality but at a reduced cost.
- Decrease the number of days of raw material and finished product inventory.