

6 August 2019

The President

The Stock Exchange of Thailand

Re: Management Discussion and Analysis on financial performance of 2Q19 1H19 performance

1. Financial performance of Sunsweet Public Company Limited for 2Q19 and 1H19

Performance Overview

The results of operations in 2Q19 were affected by the following factors:

- Thai economy is expected to expand at a slower pace than the previous assessment mainly due to the decreasing of merchandise and services exports which was resulting from the external factors.
- Because of the external risks from trade tensions, merchandise exports will likely grow at a significantly slower pace than the previous assessment due to the slowdown of trading partner economies, moderating external demand and global trade, which have been affected by intensifying trade tensions, particularly between the USA and China, which expanded to non-tariff barriers (NTBs).
- Large current account surplus is the key factor behind baht appreciation. Thai baht exchange rate per US dollar in 2Q19 at 31.39 baht / USD compared to 2Q18 at 32.07 baht / USD. Thai baht appreciated 2.1% comparing with the same quarter last year.
- Brexit risks
- In the period ahead, the value of merchandise exports will rebound slightly and expand in the second half of 2019.
- The impacts of climate variability on Thailand's agricultural sector, The Oceanic Niño Index (ONI) indicates that the Earth is experiencing mild El Niño conditions, which is highly likely to persist until the beginning of 2020, which indicate that Thailand is likely to be vulnerable to drought impacts.
- The impact on agricultural production, the situation of the epidemic of Fall Armyworm in many areas of Thailand caused severe damage to sweet corn farmers, and then affect the sweet corn industry of Thailand.

Revenues

SUN's consolidated total revenue for 2Q19 amounted to THB 442 million, a decrease of THB 37.5 million or 7.8% over the same period last year. Total revenue decreased due to (1) slowdown in sales in line with the global economy (2) The baht appreciation against the USD (3) Improving the production line to increase the efficiency in the second quarter of 2019, which is now returned to normal operation and (4) Drought impacts caused the corn raw material cannot be produced as planned, and then affect the number of production decrease.

บริษัท ชันสวีท จำกัด (มหาชน)

SUNSWEET PUBLIC COMPANY LIMITED

เลขที่ 9 หมู่ที่ 1 ต.ทุ่งสะโตก อ.สันป่าตอง จ.เชียงใหม่ 50120

No.9 Moo 1 Toongsatok, Sanpatong, Chiang mai Thailand 50120

Tel : +66 53 106 538 - 40 Fax : +66 53 106 541

www.sunsweetthai.com sunsweetthai@sunsweetthai.com





SUN's consolidated total revenue for 1H19 amounted to THB 891 million, a decrease of THB 27.9 million or 3.0% over the same period last year driven by the same above-mentioned factors.

Expenses

SUN's consolidated total expenses for 2Q19 amounted to THB 484 million, an increase of THB 26 million or 5.6% over the same period last year. This increase was mainly due to (1) Provision for employee benefits from the new Labor Protection Act (2) increasing in external storage fee due to increasing quantity of agricultural products as the farming yield has improved beyond expectation at the end of previous year from good weather and (3) The increasing in depreciation cost from Frozen 3 Tons, the new production line.

SUN's consolidated total expenses for 1H19 amounted to THB 925 million, an increase of THB 32 million or 3.6% over the same period last year driven by the same above-mentioned factors.

Net Profit Attributable to Equity Holders

Under current conditions (1) production volume decreased by 44.60% due to drought and epidemics impacts (2) slowing sales volume in line with the global economies (3) The baht appreciation against the USD (4) Provision for employee benefits from the new Labor Protection Act (5) increasing in external storage fee due to increasing quantity of agricultural products as the farming yield has improved beyond expectation at the end of previous year from good weather and (6) The increasing in depreciation cost from Frozen 3 Tons, the new production line. This affect SUN's consolidated net profit (loss) attributable to the equity holders for 2Q19 amounted to THB -42 million, a decrease of THB 63 million or 300.9% over the same period last year.

However, the Company has improved the production process, in corn kernels separation, to increase production efficiency. Finding new markets rather than existing trade partner. Finding new economic plants to be new products such as sweet potato. Including extended domestic marketing in order to reduce exchange rate risk and increase in sales volume. Closely monitor the exchange rate and determine the appropriate use of financial instruments such as forward foreign exchange contracts against the situation of baht volatility.

SUN's consolidated net profit (loss) attributable to the equity holders for 1H19 amounted to THB -34 million, a decrease of THB 60 million or 228.0% over the same period last year.

บริษัท ชันสวีท จำกัด (มหาชน)

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2. Key Highlights of 2Q19 and 1H19

Unit: Million THB	2Q19	2Q18	Increase (decrease) %	1H19	1H18	Increase (decrease) %
Revenue from sales of processed sweet corn and other agricultural products	419.1	443.5	(5.5)	828.5	843.8	(1.8)
Revenue from trading business	2.0	1.6	28.0	10.7	9.3	15.5
Revenue from other sales	18.4	27.2	(32.6)	36.1	46.2	(21.8)
Total revenue from sales	439.5	472.4	(7.0)	875.4	899.3	(2.7)
Other income	0.7	2.2	(66.8)	2.5	3.8	(33.2)
Gain on exchange rate	1.4	4.7	(69.9)	13.5	16.2	(16.7)
Total revenue	441.7	479.2	(7.8)	891.4	919.3	(3.0)
Cost of goods sold	(427.4)	(402.1)	6.3	(816.5)	(780.4)	4.6
Gross profit	12.1	70.3	(82.7)	58.8	118.9	(50.5)
Selling expenses	(34.3)	(35.0)	(1.9)	(67.6)	(70.5)	(4.1)
Administrative expenses	(21.6)	(19.7)	9.3	(39.2)	(39.5)	(0.8)
Profit (loss) before financial costs and income tax	(41.6)	22.4	(286.0)	(31.9)	28.8	(210.8)
Finance costs	(1.5)	(1.0)	54.4	(2.5)	(2.5)	0.5
Profit (loss) before income tax	(43.1)	21.4	(301.3)	(34.4)	26.4	(230.5)
Income tax	0.8	(0.4)	(322.5)	0.7	(0.0)	(1,577.5)
Net profit (loss) for the period	(42.3)	21.1	(300.9)	(33.7)	26.3	(228.0)
<i>Gross profit margin (%)</i>	<i>2.8</i>	<i>14.9</i>	<i>(81.4)</i>	<i>6.7</i>	<i>13.2</i>	<i>(49.1)</i>
<i>Net profit margin (%)</i>	<i>-9.6</i>	<i>4.4</i>	<i>(318.0)</i>	<i>-3.8</i>	<i>2.9</i>	<i>(232.0)</i>

Summary of Financial Performance

Revenue

1. Revenue from Sales

In 2Q19, the Company reported sales of THB 440 million, a decrease of THB 33 million or 7.0% over the same period last year due to (1) slowdown in sales in line with the global economy (2) The baht

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appreciation against the USD (3) Improving the production line to increase the efficiency in the second quarter of 2019, which has now returned to normal operation and (4) Drought impacts caused the corn raw material cannot be produced as planned, These conditions cause the production volume to decrease.

2. Other Income

In 2Q19, the other income amounted to THB 0.7 million, a decrease of THB 1.5 million over the same period last year.

3. Gain on exchange rate

In 2Q19, the exchange gain amounted to THB 1.4 million, a decrease of THB 3.3 million or 69.9% over the same period last year. This was mainly driven by the baht appreciation against the USD.

Cost of Goods Sold and Gross Profit from Sales

In 2Q19, SUN's consolidated gross profit amounted to THB 12.1 million (equivalent to 2.8% gross profit margin), a decrease of THB 58.1 million or 82.7% over the same period last year which the gross profit was THB 70.3 million (equivalent to 14.9% gross profit margin) driven by:

- Cost of production per unit increase from (1) production volume decreased by 44.60% due to drought and epidemics impacts (2) Provision for employee benefits from the new Labor Protection Act (3) increasing in external storage fee due to increasing quantity of agricultural products as the farming yield has improved beyond expectation at the end of previous year from good weather and (4) The increasing in depreciation from Frozen 3 Tons, the new production line.
- Selling price per unit was slightly lower than the same period last year, due to the high competition in the market, and then resulting in lower gross profit margin

Selling Expenses

In 2Q19, SUN's consolidated selling expenses amounted to THB 34.3 million, slight decrease of THB 0.7 million or 1.9% over the same period last year.

General and Administrative Expenses

In 2Q19, SUN's consolidated general and administrative expenses amounted to THB 21.6 million, slight increase of THB 1.8 million or 9.3% over the same period last year. This was mainly due to Provision for employee benefits from the new Labor Protection Act which has been in effect since the second quarter of 2019.

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Financial Costs

In 2Q19, SUN's consolidated financial costs amounted to THB 1.5 million, slight increase of THB 0.5 million or 54.4% over the same period last year. This increase was due to increasing in short-term loans from financial institutions for working capital.

Net Profit and Net Profit Margin

SUN's consolidated net profit (loss) for 2Q19 amounted to THB -42.3 million, a decrease of THB 63 million or 300.9% over the same period last year. This decrease was mainly due to the lower gross profit as the same above-mentioned factors.

In 2Q19, SUN's net profit margin represented -9.6%, decreasing from the same period last year which was 4.4% as the same above-mentioned factors.

Please be informed accordingly.

Yours sincerely,



(Mr. Vira Nopwattanakorn)

Chief Finance Officer

Sunsweet Public Company Limited

บริษัท ชันสวีท จำกัด (มหาชน)

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