Date: 24 February 2015
Subject: FY14 Management Discussion and Analysis
To: The President of the Stock Exchange of Thailand

Business Overview

Mega Lifesciences PCL (MEGA) is a leading participant in the health and wellness industry in developing countries. Our business may be categorized into three segments:

1. **Mega We Care™ branded products business**: We develop, manufacture, market and sell our own brand of market leading nutraceutical products, prescription pharmaceutical products and OTC products which are sold in 31 developing countries,
2. **Maxxcare™ distribution business**: We market, sell and distribute various branded prescription pharmaceutical products, OTC and FMCG products. We operate our Maxxcare™ distribution business in three countries, namely, Myanmar, Vietnam and Cambodia. Our clients for this business segment include leading domestic and international pharmaceutical and FMCG companies, and
3. **OEM business**: In addition to manufacturing our own branded products, our manufacturing facilities in Thailand and Australia accept various production orders from third-party customers.

Analysis of Financial Status and Performance FY14

Consolidated Income Statement

For FY14, MEGA reported operating revenue of THB 7,730.0 mn (up 9.9% YoY) and gross profits of THB 3,116.8 mn (up 5.3% YoY), while earnings before interest, tax, depreciation and amortization (EBITDA) and net profits came in at THB 786.7 mn (down 11.4% YoY) and THB 547.9 mn (down 12.2% YoY), respectively.

For 4Q14, MEGA reported operating revenue of THB 2,092.4 mn (up 6.6% YoY and 6.0% QoQ) and gross profits of THB 920.7 mn (up 13.7% YoY and 18.1% QoQ), while EBITDA and net profits were THB 334.5 mn (up 32.3% YoY and 98.7% QoQ) and THB 250.9 mn (up 41.6% YoY and 125.5% QoQ), respectively.

Key points:

- Overall operating revenue was THB 7,730.0 mn in FY14 (up 9.9% YoY) and THB 2,092.4 mn in 4Q14 (up 6.6% YoY and 6.0% QoQ).
  - Maxxcare™ operating revenue was THB 3,694.1 mn in FY14 (up 17.9% YoY) and THB 895.3 mn in 4Q14 (up 2.7% YoY but down 6.3% QoQ).
  - Mega We Care™ operating revenue was THB 3,611.9 mn in FY14 (up 5.4% YoY) and THB 1,088.2 mn in 4Q14 (up 12.8% YoY and 18.1% QoQ).
  - OEM revenue was THB 424.1 mn in FY14 (down 10.3% YoY) and THB 109.0 mn in 4Q14 (down 13.8% YoY but up 13.2% QoQ).
- Overall gross margin was 40.3% in FY14, compared to 42.1% in FY13. While individual segmental gross margins were largely maintained, the change in revenue mix and additional overheads contributed to the YoY drop in overall gross margin.

  For 4Q14, overall gross margin was 44.0%, compared to 41.2% in 4Q13 and 39.5% in 3Q14. The improvement was driven by the growth in Mega We Care™ operating revenue.
- Selling and administrative expenses (SGA) were 32.1% of operating revenue in FY14, compared to 31.8% in FY13. For 4Q14, SGA represented 30.4% of operating revenue, compared to 31.4%

in 4Q13 and 33.1% in 3Q14.

- Net profits for FY14 was THB 547.9 mn (down by 12.2% YoY) given a narrower overall gross margin arising from lower growth in Mega We Care™ branded products revenue and extra overheads from the capacity expansion, and spending towards business expansion activities in Africa and Myanmar.

  For 4Q14, net profit was THB 250.9 mn (up by 41.6% YoY and 125.5% QoQ), mainly driven by growth in Mega We Care™ branded products revenue and stable SGA expenses.

MEGA remains focused on further cementing our leadership position in Indochina and deepening our presence in the Sub-Saharan African countries. With a healthy pipeline of new products and operations in 31 growth markets, MEGA is concentrating all efforts towards doubling our revenue and net profit over the next 5 years.

Income Statement and Other Key Elements

Figures in THB mn	4Q13	3Q14	4Q14	*YoY Gr.*	2013	2014	*YoY Gr.*
Operating revenue	1,962.9	1,973.6	2,092.4	6.6%	7,033.5	7,730.0	9.9%
Gross profits	809.6	779.3	920.7	13.7%	2,959.4	3,116.8	5.3%
Gross margin (%)	*41.2%*	*39.5%*	*44.0%*		*42.1%*	*40.3%*	
Selling and Admin. Exp (SGA)	615.4	652.9	635.2	3.2%	2,235.8	2,483.0	11.1%
SGA (% to operating revenue)	*31.4%*	*33.1%*	*30.4%*		*31.8%*	*32.1%*	
EBITDA	252.9	168.4	334.5	32.3%	887.6	786.7	(11.4%)
Profit before tax	218.1	131.9	296.9	36.2%	757.4	638.1	(15.7%)
Net profit	177.2	111.3	250.9	41.6%	624.0	547.9	(12.2%)
Other key elements:							
Net cash from operations	-	-	-	-	465.8	614.2	31.9%

1. Overall Revenue

In FY14, operating revenue grew by 9.9% YoY to THB 7,730.0 mn, driven by a 17.9% YoY growth in Maxxcare™ distribution revenue while Mega We Care™ branded products revenue grew by 5.4% YoY. OEM revenue was down by 10.3% YoY in FY14.

In 4Q14, operating revenue grew by 6.6% YoY and 6.0% QoQ to THB 2,092.4 mn, driven by growth in Mega We Care™ branded products business (up by 12.8% YoY and 18.1% QoQ) while Maxxcare™ revenue in 4Q14 was THB 895.3 mn (up by 2.7% YoY but down 6.3% QoQ). OEM revenue in 4Q14 was THB 109.0 mn (down by 13.8% YoY but up by 13.2% QoQ).

Southeast Asia[1] and Indochina[2] contributed 86.5% and 81.3% of our operating revenue in FY14, respectively.

1. Thailand, Myanmar, Vietnam, Cambodia, Malaysia, Philippines, Indonesia and Singapore.
2. Thailand, Myanmar, Vietnam and Cambodia.

The following table represents the revenue generated under each operating segments.

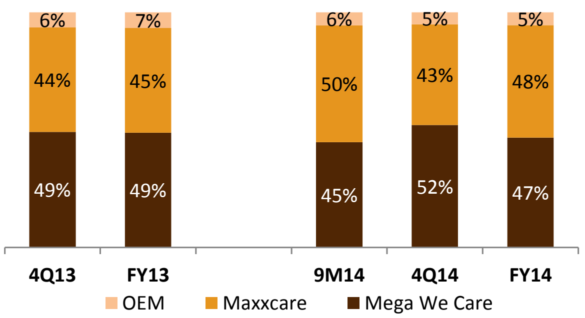
Revenue* by Business Segment

Figures in THB mn	4Q13	3Q14	4Q14	*YoY Gr.*	2013	2014	*YoY Gr.*
Mega We Care™ branded products business	964.5	921.7	1,088.2	12.8%	3,428.1	3,611.9	5.4%
Maxxcare™ distribution business	872.0	955.7	895.3	2.7%	3,132.4	3,694.1	17.9%
OEM	126.4	96.3	109.0	(13.8%)	473.0	424.1	(10.3%)
Total	**1,962.9**	**1,973.6**	**2,092.4**	**6.6%**	**7,033.5**	**7,730.0**	**9.9%**

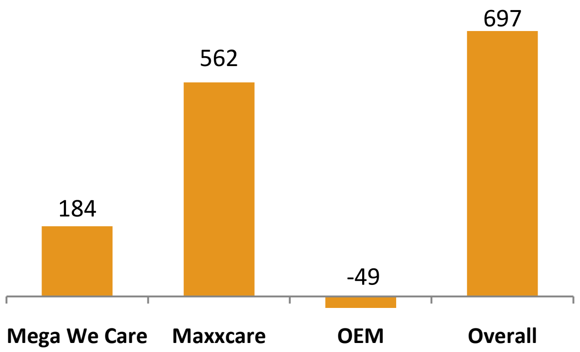
*Revenue is net of inter segment charges & eliminations relating to consolidation.

Operating revenue increased by THB 696.5 mn YoY in FY14, mainly driven by Maxxcare™ distribution business.

Revenue Mix by Segments



Revenue increase FY14 over FY13 (THB mn)



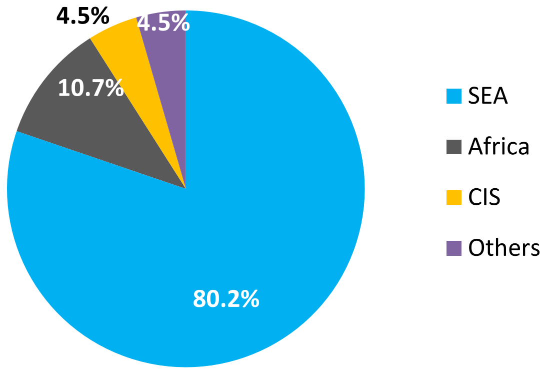
Mega We Care™ Branded Products Revenue

Revenue from sales of products under Mega We Care™ branded products business was THB 3,611.9 mn in FY14, an increase of THB 183.8 mn or 5.4% YoY, mainly led by Southeast Asian and African countries. Moderate growth in FY14 was mostly a result of the slowdowns in Thailand, Ukraine and Peru. (The decline in Peru was a result of the change in our customer's business model, with no impact on underlying demand.)

In 4Q14, Mega We Care™ branded products business saw a growth of 12.8% YoY and 18.1% QoQ. The growth was mainly led by Southeast Asia.

Mega We Care™ Branded Products Revenue by Geography

Figures in THB mn	4Q13	3Q14	4Q14	*YoY Gr.*	2013	2014	*YoY Gr.*
Southeast Asia	791.5	742.2	902.7	14.0%	2,675.5	2,898.3	8.3%
Africa	87.4	99.9	97.8	11.9%	330.2	388.2	17.6%
CIS	58.3	32.2	41.0	(29.7%)	226.0	163.3	(27.8%)
Others	27.2	47.4	46.7	71.5%	196.3	162.0	(17.5%)
Total	**964.5**	**921.7**	**1,088.2**	**12.8%**	**3,428.1**	**3,611.9**	**5.4%**



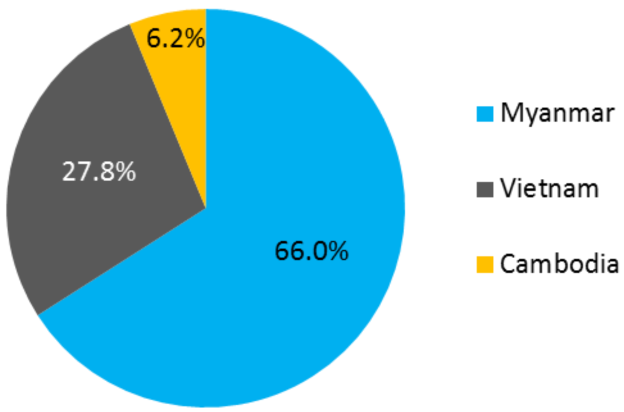
Southeast Asia contributed 80.2% of the Mega We Care™ branded products business revenue in FY14 (Indochina contributed 69.9%).

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 3,694.1 mn in FY14, an increase of THB 561.7 mn or 17.9% YoY, primarily driven by Myanmar. 4Q14 revenue was THB 895.3 mn, up 2.7% YoY but down 6.3% QoQ. The QoQ decline was mainly due to the discontinuance of one principal in Myanmar in 4Q14 (as reported in our 2Q14 and 3Q14 MD&As); the impact of which is expected to affect the top line of Maxxcare™ until 3Q15, with a limited impact on the bottom line. The revenue from existing principals in Myanmar continued to grow at a healthy rate in 4Q14.

Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 66.0% of the total Maxxcare™ revenue in FY14.

Maxxcare™ Distribution Revenue by Geography



As at 31 December 2014, we provided distribution services to 35 principals in Myanmar (including 16 consumer goods principals), a net addition of 4 new principals from 31 December 2013. We provided distribution services to 19 principals in Vietnam and 13 principals in Cambodia, net additions of 2 and 3 principals, respectively, from 31 December 2013.

OEM Business Revenue

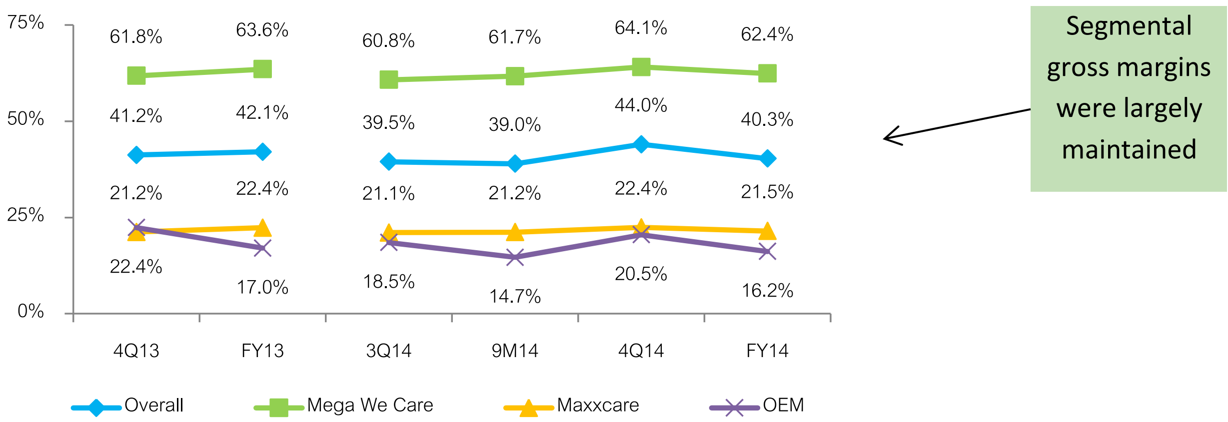
OEM revenue was THB 424.1 mn in FY14, a decrease of THB 49.0 mn or 10.3% YoY, mainly a result of a lower order book from our customers in Thailand.

2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profits were THB 3,116.8 mn in FY14, an increase of THB 157.3 mn or 5.3% YoY. FY14 overall gross margin was 40.3%, down from 42.1% in FY13 because of the change in revenue mix and lower gross margins reported by Mega We Care™ branded products due to extra overheads from capacity expansion.

For 4Q14, overall gross profits were THB 920.7 mn, an increase of THB 111.1 mn or 13.7% YoY. Overall gross margin in 4Q14 was 44.0%, an improvement from 41.2% in 4Q13 and 39.5% in 3Q14. This was driven by better Mega We Care™ gross margins, which increased to 64.1% in 4Q14 from 61.8% in 4Q13 and 60.8% in 3Q14, and, partially, the change in revenue mix.



Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 62.4% in FY14, compared to 63.6% in FY13. The YoY decline was mainly due to additional overheads from the capacity expansion and lower revenue growth. For 4Q14, Mega We Care™ branded products gross margin was 64.1%, compared to 61.8% in 4Q13 and 60.8% in 3Q14, respectively. The QoQ improvement was mainly driven by an 18.1% growth in Mega We Care™ branded products revenue. Gross profits for FY14 came in at THB 2,254.6 mn, an increase of THB 75.9 mn or 3.5% YoY.

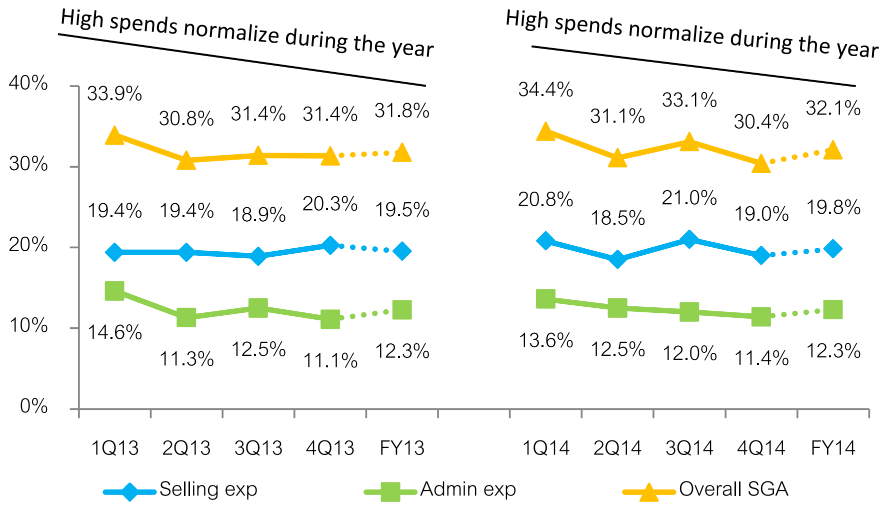
Maxxcare™ Distribution Business Gross Profit

Maxxcare™ distribution business gross margin was 21.5% in FY14, compared to 22.4% in FY13. The YoY decline was largely a result of the changes in principal and service mix. For 4Q14, Maxxcare™ distribution business gross margin was 22.4% compared to 21.2% in 4Q13 and 21.1% in 3Q14. Gross profits in FY14 were THB 793.6 mn, an increase of THB 93.5 mn or 13.4% YoY, driven by revenue growth in Myanmar.

OEM Business Gross Profit

OEM business gross margin was 16.2% in FY14 and 20.5% in 4Q14, compared to 17.0% in FY13 and 22.4% in 4Q13, respectively. Lower gross margins were a result of decline in revenue, given a lower order book in Thailand. Gross profits in FY14 was THB 68.6 mn, a decrease of THB 12.0 mn or down by 14.9% YoY.

3. Consolidated Selling and Administration expenses (SGA)



Selling and administrative expenses were THB 2,483.0 mn in FY14 and THB 635.2 in 4Q14. The amount represented 32.1% and 30.4% of operating revenue in FY14 and 4Q14, respectively, compared to 31.8% in FY13, 31.4% in 4Q13 and 33.1% in 3Q14, respectively. Apart from the marketing activities for the Mega We Care™ branded products business, the spending was also towards business expansion activities in Africa and logistics resources expansion in Myanmar.

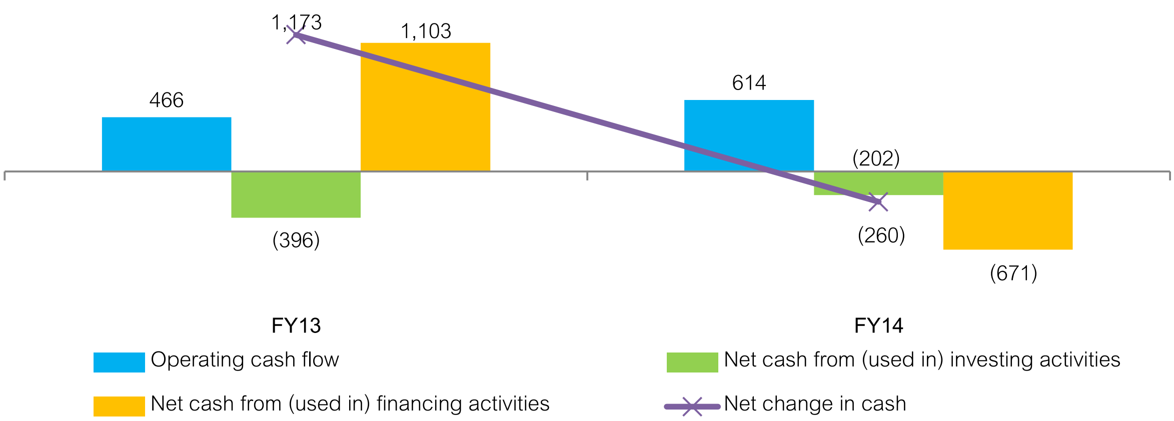
4. Consolidated Net Profit

Net profit in FY14 was THB 547.9 mn, a decrease of THB 76.1 mn or 12.2% YoY from THB 624.0 mn in FY13, given a lower growth in Mega We Care™ branded products revenue, additional overheads from the capacity expansion, and spending towards business expansion activities in Africa and Myanmar.

Net profit in 4Q14 was THB 250.9 mn, an increase of THB 73.7 mn or 41.6% YoY from THB 177.2 mn in 4Q13 and THB 139.7 mn or 125.5% from THB 111.3 mn in 3Q14. The QoQ improvement was largely driven by an 18.1% growth in Mega We Care™ branded products revenue and stable SG&A expenses.

5. Cash Flows[1]

Figures in THB mn



1 (a) Cash and bank balances as at 31 December 2014 include THB 340.6 mn of cash and cash equivalents and THB 940.4 mn of term deposits with banks.

1 (b) Term deposits with banks have been reported as part of investing activities in audited cash flow statement but the same has been considered as cash and bank balance for this cash flow chart to ensure comparability with FY13.

Operating Activities

Operating activities generated THB 614.2 mn of cash in FY14, higher than THB 465.8 mn generated in FY13, mainly a result of improvement in working capital.

Working Capital

	For the period ending				
	2010	2011	2012	2013	2014
Average receivable days	83	86	81	78	90
Average inventory days	124	112	127	138	130
Average payable days	95	90	84	86	100
Cash cycle (days)	**112**	**109**	**123**	**130**	**120**

Cash cycle witnessed an improvement from 130 days in FY13 to 120 days in FY14 as the increase in receivable days was more than offset by higher payable days and lower inventory days. Out of 130 day of Inventory in FY14, inventory of finished goods and raw material at factory accounted for 29 days.

Investing Activities

In FY14, net cash used in investing activities was THB 202.4 mn. Out of this amount, THB 159.9 mn was towards the expansion and maintenance capex and THB 23.5 mn was for improvement in information systems.

Financing Activities

In FY14, net cash outflow from financing activities was THB 671.4 mn, driven by repayment of loans of THB 411.2 mn and the payout of dividends amounting to THB 242.6 mn (THB 156.0 mn declared for financial year 2013 and THB 86.6 mn for 1H14).

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) were THB 1,281.0 mn as at 31 December 2014, a decrease of THB 259.3 mn from 31 December 2013, resulting from investment in assets and dividend payouts.

Trade receivables were THB 2,116.1 mn as at 31 December 2014, an increase of 368.7 mn or 21.1% from 31 December 2013, in line with business movements.

Inventories were THB 1,649.5 mn as at 31 December 2014, a decrease of THB 35.5 mn or 2.1% from 31 December 2013.

As at 31 December 2014, Current ratio remained stable at 2.1 times.

Non-current Assets

Non-current assets were THB 1,375.1 mn as at 31 December 2014, up THB 64.5 mn or 4.9% from 31 December 2013. The increase was driven by investment in property plant and equipment, prepayment for land, and deferred tax assets.

Current Liabilities

Current liabilities were THB 2,511.4 mn as at 31 December 2014, a decrease of THB 51.0 mn or 2.0% compared to 31 December 2013.

Trade payables were THB 1,403.9 mn as at 31 December 2014, an increase of 236.1 mn or 20.2% from 31 December 2013, in line with business movements.

Non-current Liabilities

Non-current liabilities were THB 232.8 mn as at 31 December 2014, a decrease of THB 63.1 mn or 21.3%, compared to 31 December 2013, as long term loans declined following the debt repayment.

As at 31 December 2014, Interest-bearing debt to Equity ratio was down to 0.14 times from 0.27 times as at 31 December 2013, while Debt to Equity ratio stood at 0.7 times.

Shareholders' Equity

Shareholders' equity was THB 3,978.3 mn as at 31 December 2014, an increase of THB 285.7 mn compared to 31 December 2013, given FY14 net profits and dividend payouts during the year.

Consolidated Balance Sheet

Figures in THB mn	31-Dec-14		31-Dec-13		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances[1]	1,281.0	*19.1%*	1,540.3	*23.5%*	(259.3)	*(16.8%)*
Trade accounts receivable	2,116.1	*31.5%*	1,747.4	*26.7%*	368.7	*21.1%*
Inventories	1,649.5	*24.5%*	1,684.9	*25.7%*	(35.5)	*(2.1%)*
Other current assets	300.8	*4.5%*	267.7	*4.1%*	33.1	*12.4%*
Total Current Assets	**5,347.4**	*79.5%*	**5,240.3**	*80.0%*	107.1	*2.0%*
Non-Current Assets						
Restricted deposits with banks	-	*0.0%*	10.6	*0.2%*	(10.6)	*(100.0%)*
Property, plant and equipment	980.1	*14.6%*	969.5	*14.8%*	10.6	*1.1%*
Intangible assets	230.2	*3.4%*	213.0	*3.3%*	17.2	*8.1%*
Deferred tax assets	93.4	*1.4%*	79.2	*1.2%*	14.2	*17.9%*
Other non-current assets	71.3	*1.1%*	38.2	*0.6%*	33.1	*86.8%*
Total Non-Current Assets	**1,375.1**	*20.5%*	**1,310.6**	*20.0%*	64.5	*4.9%*
Total Assets	**6,722.4**	*100.0%*	**6,550.9**	*100.0%*	171.6	*2.6%*
Current Liabilities						
Bank overdrafts & short-term loans	354.2	*5.3%*	709.4	*10.8%*	(355.2)	*(50.1%)*
Trade accounts payable	1,403.9	*20.9%*	1,167.9	*17.8%*	236.1	*20.2%*
Other payables	265.4	*3.9%*	193.7	*3.0%*	71.7	*37.0%*
Current portion of long-term loans	75.4	*1.1%*	75.0	*1.1%*	0.4	*0.5%*
Current portion of finance lease liability	0.2	*0.0%*	0.2	*0.0%*	(0.0)	*(19.9%)*
Income tax payable	55.5	*0.8%*	52.9	*0.8%*	2.6	*4.9%*
Accrued expenses	356.8	*5.3%*	363.3	*5.5%*	(6.5)	*(1.8%)*
Total Current Liabilities	**2,511.4**	*37.4%*	**2,562.4**	*39.1%*	(51.0)	*(2.0%)*
Non-Current Liabilities						
Long-term loans	137.2	*2.0%*	211.8	*3.2%*	(74.6)	*(35.2%)*
Finance lease liabilities	0.2	*0.0%*	0.4	*0.0%*	(0.2)	*(57.4%)*
Deferred tax liabilities	2.9	*0.0%*	3.0	*0.0%*	(0.1)	*(2.8%)*
Employees benefits obligation	90.1	*1.3%*	78.6	*1.2%*	11.5	*14.7%*
Other non-current liabilities	2.4	*0.0%*	2.1	*0.0%*	0.3	*14.9%*
Total Non-Current Liabilities	**232.8**	*3.5%*	**295.9**	*4.5%*	(63.1)	*(21.3%)*
Total Liabilities	**2,744.2**	*40.8%*	**2,858.3**	*43.6%*	(114.1)	*(4.0%)*
Equity						
Issued and paid-up share capital	432.6	*6.4%*	432.6	*6.6%*	-	*0.0%*
Premium on ordinary shares	2,138.1	*31.8%*	2,138.1	*32.6%*	-	*0.0%*
Retained earnings					-	
Legal reserve	49.1	*0.7%*	49.1	*0.7%*	-	*0.0%*
Other reserves	1,525.7	*22.7%*	1,212.7	*18.5%*	312.9	*25.8%*
Other components of equity	(167.2)	*-2.5%*	(140.0)	*-2.1%*	(27.2)	*19.4%*
Owners Equity	**3,978.3**	*59.2%*	**3,692.6**	*56.4%*	285.7	*7.7%*
Non-controlling interests	(0.0)	*0.0%*	0.0	*0.0%*	(0.0)	*(241.9%)*
Total Equity	**3,978.3**	*59.2%*	**3,692.6**	*56.4%*	285.7	*7.7%*
Total Liabilities and Equity	**6,722.4**	*100.0%*	**6,550.9**	*100.0%*	171.6	*2.6%*

1 Cash and bank balances as at 31 December 2014 include THB 340.6 mn of cash and cash equivalents and THB 940.4 mn of term deposits with banks.

Consolidated Income Statement

Figures in THB mn	**4Q13**	**3Q14**	**4Q14**	***YoY Gr***	**FY13**	**FY14**	***YoY Gr***
Operating revenue	1,962.9	1,973.6	2,092.4	*6.6%*	7,033.5	7,730.0	*9.9%*
Other income	7.4	8.7	9.8	*32.3%*	26.2	37.9	*44.7%*
Total income	**1,970.3**	**1,982.3**	**2,102.2**	***6.7%***	**7,059.7**	**7,767.9**	***10.0%***
Cost of goods sold	1,153.3	1,194.4	1,171.8	*1.6%*	4,074.1	4,613.3	*13.2%*
Gross profits	**809.6**	**779.3**	**920.7**	***13.7%***	**2,959.4**	**3,116.8**	***5.3%***
Gross margin (%)	*41.2%*	*39.5%*	*44.0%*		*42.1%*	*40.3%*	
Selling expenses	397.6	415.3	397.5	*(0.0%)*	1,372.6	1,530.9	*11.5%*
Administrative expenses	217.8	237.6	237.7	*9.1%*	863.1	952.1	*10.3%*
Selling & Administrative exp (SGA)	615.4	652.9	635.2	*3.2%*	2,235.8	2,483.0	*11.1%*
SGA (% to operating revenue)	*31.4%*	*33.1%*	*30.4%*		*31.8%*	*32.1%*	
Net foreign exchange loss/(gain)	(24.1)	(0.9)	(5.2)		(38.8)	16.4	
EBITDA	**252.9**	**168.4**	**334.5**	***32.3%***	**887.6**	**786.7**	***(11.4%)***
EBITDA margin (%)	*12.9%*	*8.5%*	*16.0%*		*12.6%*	*10.2%*	
Depreciation & Amortization	27.2	32.3	34.0	*25.0%*	98.9	131.4	*32.9%*
Earnings before interest and tax (EBIT)	**225.7**	**136.0**	**300.5**	***33.1%***	**788.7**	**655.3**	***(16.9%)***
Finance cost	7.7	4.1	3.6	*(52.7%)*	31.3	17.1	*(45.2%)*
Profit before tax	218.1	131.9	296.9	*36.2%*	757.4	638.1	***(15.7%)***
Tax expense	42.5	20.6	46.0	*8.2%*	133.4	90.3	*(32.3%)*
Net Profit	**177.2**	**111.3**	**250.9**	***41.6%***	**624.0**	**547.9**	***(12.2%)***
Net margin (%)	*9.0%*	*5.6%*	*12.0%*		*8.9%*	*7.1%*	
EPS	0.22	0.13	0.29		0.84	0.63	

Disclaimer

The information contained in our analysis is intended solely for your personal reference only. In addition, such forward- looking statements reflect our current views with respect to future events and financial performance.

These views are based on assumptions subject to various risks and uncertainties. No assurance is given that future events will occur or that our assumptions are correct. Actual results may differ materially from those projected.