

Date: 13 August 2015
 Subject: 2Q15 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 2Q15

Consolidated Income Statement

- **Overall operating revenue** of THB 1,972.4mn in 2Q15 was higher by 12.3% YoY (normalized¹ basis), 0.7% YoY (reported basis) and 9.3% QoQ.
- **Gross profit** of THB 857.0mn in 2Q15 was higher by 14.4% YoY and 15.5% QoQ.
- **EBITDA** of THB 241.9mn in 2Q15 was higher by 29.4% YoY and 47.8% QoQ.
- **Net profit** of THB 165.5mn in 2Q15 was higher by 28.2% YoY and 55.4% QoQ.

For 1H15, overall operating revenue was THB 3,777.2mn (up 14.7% YoY) on normalized basis and 3.1% YoY on reported basis. Gross profits of THB 1,599.0mn (up 13.4% YoY), while EBITDA and net profits were THB 405.4mn (up 42.8% YoY) and THB 272.0mn (up 46.5% YoY).

Key points:

- **Overall operating revenue** in 2Q15 was THB 1,972.4mn, up 12.3% YoY (normalized basis) and 0.7% YoY (reported basis) taking the 1H15 revenue to THB 3,777.2mn, up 14.7% YoY (normalized basis) and 3.1% YoY (reported basis). Maxxcare™ and Mega We Care™, both businesses continued to grow at healthy rates.
 - Mega We Care™ revenue was THB 1,006.4mn in 2Q15 (up 16.5% YoY and 19.2% QoQ) taking 1H15 revenue to THB 1,851.0mn, up 15.5% YoY.
 - Maxxcare™ revenue was THB 856.5mn in 2Q15 up by 11.1% YoY (normalized basis) but down 12% YoY (reported basis), taking the 1H15 revenue to THB 1,712.7mn, up 16.2% YoY (normalized basis) but down 7.1% YoY (reported basis).
 - OEM revenue was THB 109.4mn in 2Q15 (down 9.8% YoY but up 5.1% QoQ) taking 1H15 revenue to THB 213.6mn, down by 2.4% YoY.
- **Overall gross margins** in 2Q15 improved to 43.5% from 38.2% in 2Q14 and 41.1% of 1Q15. Overall gross margin in 1H15 was 42.3% compared to 38.5% in 1H14. Growth in Mega We Care™ revenue resulting in better revenue mix and improved Mega We Care™ gross margins helped widening of the overall gross margins in 2Q15.

¹Maxxcare™ distribution business revenue growth is normalized in 2Q14 and 1H14 by excluding the revenue attributable to one of our principal whose business was discontinued since 4Q14 (as reported in our 3Q14 and 4Q14 MD&As')

- **Selling and administrative expenses (SG&A)** was 35.2% of operating revenue in 2Q15 as compared to 30.8% in 2Q14. There was a one-time charge of THB 16.8mn towards provision against receivables in 2Q15.

1H15 SG&A was 34.3% compared to 32.4% in 1H14. We expect SG&A by the year end to remain close to FY14 levels.

- **Net profit** in 2Q15 came in at THB 165.5mn, up 28.2% YoY and 55.4% QoQ. Increase in net profits was driven by improvement in overall gross margins (a result of increase in Mega We Care™ revenue and improved Mega We Care™ gross margins) and net forex gains driven by THB depreciation. 2Q15 Net profits after adjusting for the one-time SG&A charge towards receivables would have been THB 182.3mn.

1H15 net profit came in at THB 272.0mn, higher by 46.5% YoY. Net profit without forex impact would be THB 266.6mn in 1H15 compared to THB 208.2mn of 1H14, an increase of THB 58.3mn or 28% YoY.

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 Statement¹							
<i>Figures in THB mn</i>	2Q14	1Q15	2Q15	YoY Gr.	1H14	1H15	YoY Gr.
Operating Revenue	1,958.8	1,804.8	1,972.4	0.7%	3,664.0	3,777.2	3.1%
Gross profits	749.2	741.9	857.0	14.4%	1,409.7	1,599.0	13.4%
<i>Gross margin (%)</i>	38.2%	41.1%	43.5%		38.5%	42.3%	
Selling and Admin. exp (SGA)	603.8	600.9	695.2	15.1%	1,187.8	1,296.2	9.1%
<i>SGA (% to Operating revenue)</i>	30.8%	33.3%	35.2%		32.4%	34.3%	
EBITDA	186.9	163.6	241.9	29.4%	283.9	405.4	42.8%
Profit before tax	148.6	125.7	202.6	36.3%	209.4	328.3	56.8%
Net Profit	129.1	106.5	165.5	28.2%	185.7	272.0	46.5%

Growth in Mega We Care™ revenue, improved overall gross margins and net forex gains helped increase the 2Q15 net profits.

1. Overall Revenue

Reported basis: Overall operating revenue in 2Q15 was THB 1,972.4mn, up 0.7% YoY and 9.3% QoQ. Growth was mainly driven by increase in Mega We Care™ branded products, (up by 16.5% YoY and 19.2% QoQ. Maxxcare™ distribution business was down by 12.0% YoY and remained flat QoQ. OEM was down by 9.8% YoY but up 5.1% QoQ. Overall operating revenue in 1H15 was at THB 3,777.2mn, higher by 3.1% YoY.

Normalized basis: Overall operating revenue of 2Q15 was up by 12.3% YoY taking the 1H15 revenue growth to 14.7% YoY. Maxxcare™ distribution business was up by 11.1% YoY in 2Q15 and 16.2% YOY in 1H15.

1. Consequent to requirements of TFRS, certain cost elements between cost of goods sold and SG&A have been re-classified for earlier periods resulting in difference in the numbers reported in this MDA and our earlier MD&As'.

Southeast Asia¹ and Indochina² contributed 86.4% and 80.8% of our operating revenues in 1H15, respectively.

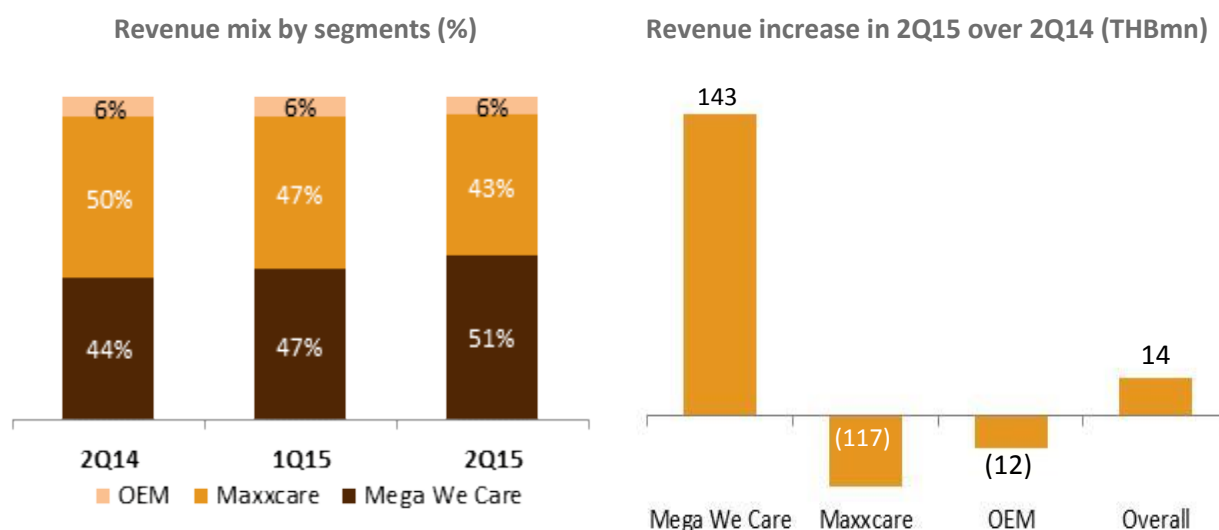
The following table represents the revenue generated under each operating segments.

Revenue* by Business Segment

Figures in THB mn	2Q14	1Q15	2Q15	Reported YoY Gr.	Normlzd. YoY Gr.	1H14	1H15	Reported YoY Gr.	Normlzd. YoY Gr.
Mega We Care™	863.9	844.5	1,006.4	16.5%	16.5%	1,602.0	1,851.0	15.5%	15.5%
Maxxcare™	973.6	856.2	856.5	(12.0%)	11.1%	1,843.2	1,712.7	(7.1%)	16.2%
OEM	121.3	104.1	109.4	(9.8%)	(9.8%)	218.8	213.6	(2.4%)	(2.4%)
Total	1,958.8	1,804.8	1,972.4	0.7%	12.3%	3,664.0	3,777.2	3.1%	14.7%

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

The proportion of Mega We Care™ revenue in overall operating revenue increased from 44% in 2Q14 to 51% in 2Q15.



Mega We Care™ Branded Products Revenue

Revenue from sale of products under Mega We Care™ branded products business was THB 1,006.4mn in 2Q15, an increase of THB 142.5mn or 16.5% YoY and 19.2% QoQ taking the 1H15 growth to 15.5% YoY. 2Q15 growth was mainly led by Southeast Asia which was up by 20.4% YoY.

African countries reported lower growth, given depreciation of Nigerian (NGN) and Ghanaian (GCD) currencies by 16% and 28%, respectively against THB (cross currency rates); at constant currency rate, the in- market sales for Africa was up by 25.3% YoY in 1H15.

Though not a significant contributor to the overall revenue of the company, continuing social un-rest in Ukraine (CIS) and Yemen (Others) impacted the revenue growth in 2Q15.

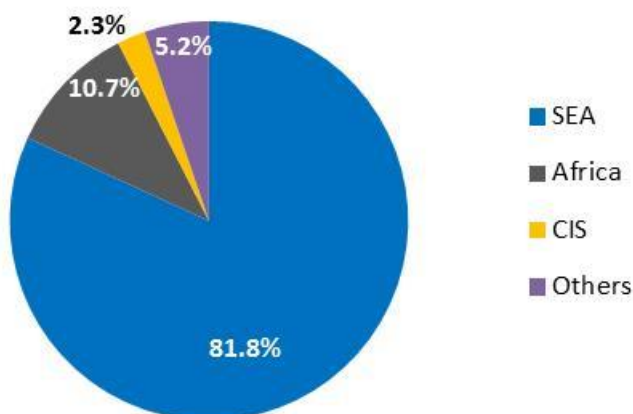
1. Thailand, Myanmar, Vietnam, Cambodia, Malaysia, Philippines, Indonesia and Singapore.

2. Thailand, Myanmar, Vietnam and Cambodia.

Mega We Care™ Branded Products Revenue by Geography

Figures in THB mn	2Q14	1Q15	2Q15	YoY Gr.	1H14	1H15	YoY Gr.
Southeast Asia	690.3	683.2	831.0	20.4%	1,253.4	1,514.2	20.8%
Africa	100.7	90.3	107.1	6.4%	190.5	197.4	3.6%
CIS	28.3	20.2	22.3	(21.1%)	63.4	42.5	(33.0%)
Others	44.7	50.8	46.1	3.2%	94.7	96.9	2.4%
Total	863.9	844.5	1,006.4	16.5%	1,602.0	1,851.0	15.5%

Mega We Care™ Branded Products Revenue by Geography (1H15)

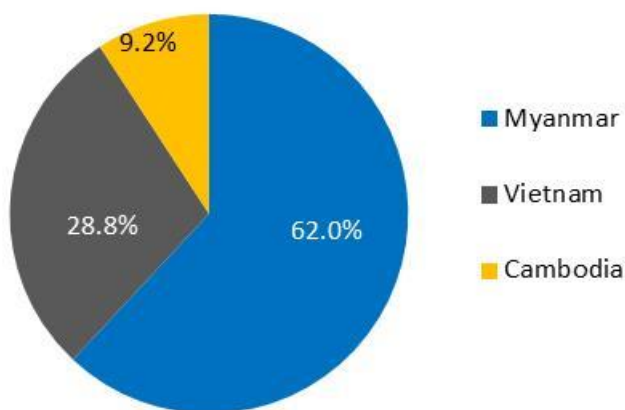


- Southeast Asia contributed 81.8%, while Indochina contributed 71.4% of the Mega We Care™ branded products business revenue.
- Africa, the second largest market contributing 10.7% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 856.5mn in 2Q15, a decrease of THB 117.1mn or 12.0% YoY, decline mainly led by the discontinuance of one of our principal in Myanmar (as reported in our 3Q14 and 4Q14 MD&As). Normalizing for the business loss from such principal, Maxxcare™ revenue growth for 2Q15 and 1H15 stood at 11.1% YoY and 16.2% YoY, respectively.

Maxxcare™ Distribution Revenue by Geography



Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 62% of the total Maxxcare™ revenue in 1H15.

As at 30 June 2015, we provided distribution services to 37 principals in Myanmar (including 18 consumer goods principals), a net addition of 2 new principals from 31 December 2014. We provided distribution services to 20 principals in Vietnam and 16 principals in Cambodia, net additions of 1 and 3 principals, respectively, from 31 December 2014.

OEM Business Revenue

OEM revenue was THB 109.4mn in 2Q15, down by 9.8% YoY but up 5.1% QoQ, taking the 1H15 revenue decline to 2.4% YoY.

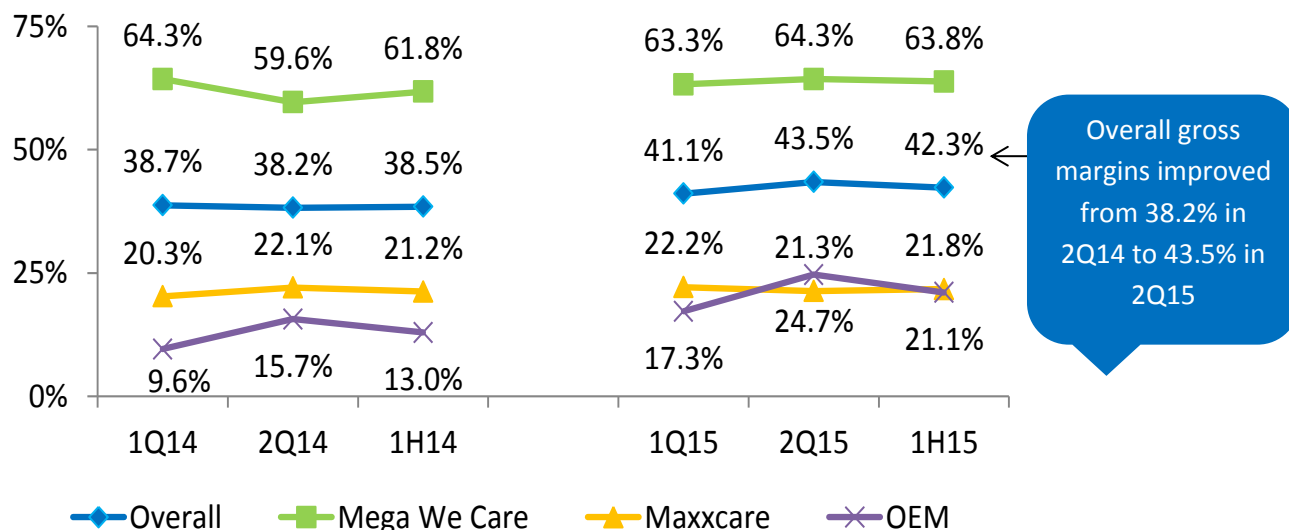
2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profits were THB 857.0mn in 2Q15, an increase of THB 107.9mn or 14.4% YoY taking 1H15 gross profits to THB 1,599.0, up by 13.4% YoY. Overall gross margins in 2Q15 improved to 43.5% from 38.2% in 2Q14 and 41.1% of 1Q15. Overall gross margin in 1H15 was 42.3% compared to 38.5% in 1H14.

2Q15 improvement in overall gross margin was mainly led by growth in Mega We Care™ revenue resulting in better revenue mix (Mega We Care™ proportion in overall operating revenue increased from 44.1% in 2Q14 to 51.0% in 2Q15) and improved Mega We Care™ gross margins, from 59.6% in 2Q14 to 64.3% in 2Q15.

Segmental gross profit (%) to segmental operating revenue



Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 64.3% in 2Q15 taking the 1H15 gross margins to 63.8% compared to 59.6% in 2Q14 and 61.8% in 1H14. Gross margin improvement in 2Q15 was mainly driven by growth in Mega We Care™ revenue resulting in improved efficiencies due to higher output and savings in raw material cost.

2Q15 Mega We Care™ branded products gross profit was THB 647.1mn, an increase of THB 132.1mn or 25.6% YoY, mainly driven by increase in revenue and better gross margins.

Maxxcare™ Distribution Business Gross Profit

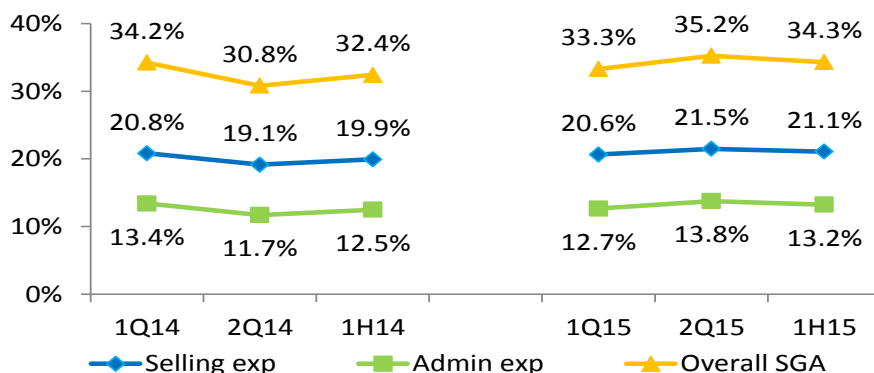
Maxxcare™ distribution business gross margin was 21.3% in 2Q15 and 21.8% for 1H15, compared to 22.1% in 2Q14 and 21.2% for 1H14. Gross profit in 2Q15 was THB 182.9mn compared to THB 215.1mn in 2Q14. Gross profit decrease in 2Q15 was due to decline in reported revenue caused by the discontinuance of one of our principal in Myanmar.

OEM Business Gross Profit

OEM business gross margin was 24.7% in 2Q15 and 21.1% in 1H15 compared to 15.7% in 2Q14 and 13.0% for 1H14, respectively. 2Q15 improvement in gross margins was driven by better customer-mix and certain cost optimisation measures implemented in Australia. Gross profit in 2Q15 was THB 27.0mn, an increase of THB 8.0mn or 42.1% YoY.

3. Consolidated Selling and Administration Expenses (SG&A)

SG&A as a (%) to operating revenue



SG&A for 2Q15 was THB 695.2mn amounting to 35.2% of operating revenue as compared to 30.8% in 2Q14. There was a one-time charge of THB 16.8mn towards provision against receivables in 2Q15. 1H15 SG&A was 34.3% compared to 32.4% in 1H14. We expect SG&A by the year end to remain close to FY14 levels.

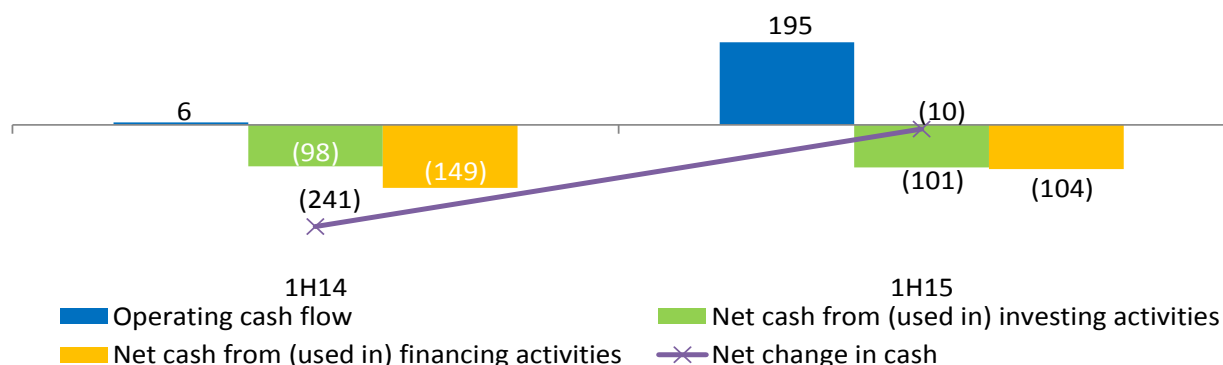
4. Consolidated Net Profit

Net profit in 2Q15 came in at THB 165.5mn, up 28.2% YoY and 55.4% QoQ. Increase in net profits was driven by improvement in overall gross margins (a result of increase in Mega We Care™ revenue and improved Mega We Care™ gross margins) and net forex gains driven by THB depreciation. 2Q15 Net profits after adjusting for the one-time SG&A charge towards receivables would have been THB 182.3mn.

1H15 net profit came in at THB 272.0mn, higher by 46.5% YoY. Net profit without forex impact would be THB 266.6mn in 1H15 compared to THB 208.2mn of 1H14, an increase of THB 58.3mn or 28% YoY

5. Cash Flows¹

Figures in THBmn



1 a) Cash and bank balances as at 30 June 2015 include THB 326.9mn of cash and cash equivalents and THB 939.3mn of term deposits with banks. b) Movement in term deposits with banks (investments/redemption) haven't been considered in the above cash flow statement .

Operating Activities

Operating activities generated THB 195.2mn of cash in 1H15 compared to THB 60.6mn in 1Q15 and THB 6.1mn in 1H14. Increase in operating cash in 1H15 was mainly a result of increase in net profits.

Working Capital

	Dec'13	Dec'14	Mar'15	June'15
Average receivable days	78	90	106	106
Average inventory days	138	130	138	138
Average payable days	86	100	119	114
Cash cycle (days)	130	120	125	130

Cash cycle increased from 120 days in Dec'14 to 130 days in June'15. Increase in receivable and inventory days were partially offset by higher payable days. The increase in receivable and inventory days was in line with the business requirements.

Out of 138 days of Inventory as at June'15, inventory of finished goods and raw material at factory accounted for 36 days.

Investing Activities

In 1H15, net cash used in investing activities was THB 100.6mn. Out of this amount, THB 37.5mn was towards the acquisition of land in Australia as part of overall investment plan for future expansion, THB 34.5mn towards maintenance capex for Thailand manufacturing facility and THB 9.5mn for improvement in information systems.

We expect an outflow of THB 94.1mn by the end of FY15 towards part payment for the acquisition of land in Bangpoo Industrial Estate, Bangkok, as part of future expansion plan in addition to the normal maintenance capex.

Financing Activities

In 1H15, net cash outflow from financing activities was THB 104.5mn mainly arising from payment of FY14 final dividends amounting to THB 216.3mn which was partially offset by increase in short term loans of THB 155.0mn.

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 1,266.2mn as at 30 June 2015, a decrease of THB 14.8mn from 31 December 2014, resulting from investment in assets and loan repayments.

Trade receivables were THB 2,322.5mn as at 30 June 2015, an increase of THB 206.4 or 9.8% compared to THB 2,116.1 as at 31 December 2014. The increase was in line with business requirements.

Inventories were THB 1,687.7mn as at 30 June 2015, an increase of THB 38.2mn or 2.3% from 31 December 2014.

As at 30 June 2015, Current ratio was at 2.0 times.

Non-current Assets

Non-current assets were THB 1,403.1mn as at 30 June 2015, up by THB 28.0mn or 2.0% from 31 December 2014. The increase was driven by investment in property plant and equipment and deferred tax assets.

Current Liabilities

Current liabilities were THB 2,788.0mn as at 30 June 2015, an increase of THB 267.2mn or 10.6% compared to 31 December 2014, mainly driven by increase in short term loans.

Trade payables were THB 1,354.7mn as at 30 June 2015, a decrease of THB 49.2mn or 3.5% from 31 December 2014.

Non-current Liabilities

Non-current liabilities were THB 204.2mn as at 30 June 2015, a decrease of THB 28.5mn or 12.3%, compared to 31 December 2014, as long term loans declined following the debt repayment.

As at 30 June 2015, Interest-bearing debt to Equity ratio was stable at 0.17 times, while Debt to Equity ratio was constant at 0.7 times.

Shareholders' Equity

Shareholders' equity was THB 4,017.4mn as at 30 June 2015, an increase of THB 39.1mn compared to 31 December 2014, mainly driven by 1H15 net profits and FY 14 final dividend payouts.

Consolidated Balance Sheet

<i>Figures in THB mn</i>	30-Jun-15		31-Dec-14		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ¹	1,266.2	18.1%	1,281.0	19.0%	(14.8)	(1.2%)
Trade accounts receivable	2,322.5	33.1%	2,116.1	31.4%	206.4	9.8%
Inventories	1,687.7	24.1%	1,649.5	24.5%	38.2	2.3%
Other current assets	330.2	4.7%	310.3	4.6%	19.9	6.4%
Total Current Assets	5,606.6	80.0%	5,356.8	79.6%	249.8	4.7%
Non-Current Assets						
Restricted deposits with Banks	-	0.0%	-	0.0%	-	
Property, plant and equipment	991.2	14.1%	980.1	14.6%	11.1	1.1%
Intangible assets	234.7	3.3%	230.2	3.4%	4.5	2.0%
Deferred tax asset	103.3	1.5%	93.4	1.4%	9.9	10.5%
Other non-current assets	73.8	1.1%	71.3	1.1%	2.6	3.6%
Total Non-Current Assets	1,403.1	20.0%	1,375.1	20.4%	28.0	2.0%
Total Assets	7,009.6	100.0%	6,731.8	100.0%	277.8	4.1%
Current Liabilities						
Bank overdrafts & short-term Loans	518.3	7.4%	354.2	5.3%	164.2	46.3%
Trade accounts payable	1,354.7	19.3%	1,403.9	20.9%	(49.2)	(3.5%)
Other payables	356.8	5.1%	265.4	3.9%	91.4	34.4%
Current portion of long-term loans	77.2	1.1%	75.4	1.1%	1.9	2.5%
Current portion of finance Lease liability	0.2	0.0%	0.2	0.0%	(0.0)	(2.1%)
Income tax payable	68.0	1.0%	55.5	0.8%	12.5	22.6%
Accrued expenses	412.7	5.9%	366.2	5.4%	46.5	12.7%
Total Current Liabilities	2,788.0	39.8%	2,520.8	37.4%	267.2	10.6%
Non-Current Liabilities						
Long-term loans	102.2	1.5%	137.2	2.0%	(35.0)	(25.5%)
Finance lease liabilities	0.1	0.0%	0.2	0.0%	(0.1)	(54.7%)
Deferred tax liability	1.4	0.0%	2.9	0.0%	(1.5)	(51.9%)
Employees benefits obligation	98.1	1.4%	90.1	1.3%	8.0	8.9%
Other non-current liabilities	2.4	0.0%	2.4	0.0%	0.0	1.3%
Total Non-Current Liabilities	204.2	2.9%	232.8	3.5%	(28.5)	(12.3%)
Total Liabilities	2,992.2	42.7%	2,753.6	40.9%	238.6	8.7%
Equity						
Issued and paid-up share capital	432.6	6.2%	432.6	6.4%	-	0.0%
Premium on ordinary shares	2,138.1	30.5%	2,138.1	31.8%	-	0.0%
Retained earnings:						
Appropriated	78.6	1.1%	67.5	1.0%	11.0	16.3%
Unappropriated	1,557.4	22.2%	1,507.2	22.4%	50.2	3.3%
Other components of equity	(189.3)	-2.7%	(167.2)	-2.5%	(22.1)	13.2%
Owners Equity	4,017.4	57.3%	3,978.3	59.1%	39.1	1.0%
Non-controlling interests	(0.0)	0.0%	(0.0)	0.0%	(0.0)	2.3%
Total Equity	4,017.4	57.3%	3,978.3	59.1%	39.1	1.0%
Total Liabilities and Equity	7,009.6	100.0%	6,731.8	100.0%	277.8	4.1%

¹ Cash and bank balances as at 30 June 2015 include THB 326.9 mn of cash and cash equivalents and THB 939.3 mn of term deposits with banks.

Consolidated Income Statement

<i>Figures in THB mn</i>	2Q14	1Q15	2Q15	YoY Gr.	1H14	1H15	YoY Gr.
Operating Revenue	1,958.8	1,804.8	1,972.4	0.7%	3,664.0	3,777.2	3.1%
Other income	10.3	15.3	10.5	2.1%	19.4	25.8	33.4%
Total Income	1,969.1	1,820.2	1,982.9	0.7%	3,683.4	3,803.0	3.2%
Cost of goods sold	1,209.6	1,062.9	1,115.3	(7.8%)	2,254.3	2,178.2	(3.4%)
Gross profits	749.2	741.9	857.0	14.4%	1,409.7	1,599.0	13.4%
<i>Gross margin (%)</i>	38.2%	41.1%	43.5%		38.5%	42.3%	
Selling expense	374.8	372.4	423.7	13.1%	730.1	796.1	9.0%
Administrative expense	229.0	228.5	271.5	18.6%	457.7	500.0	9.2%
Selling & Administrative exp (SGA)	603.8	600.9	695.2	15.1%	1,187.8	1,296.2	9.1%
<i>SGA (% to operating revenue)</i>	30.8%	33.3%	35.2%		32.4%	34.3%	
Net foreign exchange loss/(gain)	2.5	28.2	(33.6)		22.6	(5.4)	
EBITDA	186.9	163.6	241.9	29.4%	283.9	405.4	42.8%
<i>% of EBITDA to operating revenue</i>	9.5%	9.1%	12.3%		7.7%	10.7%	
Depreciation & Amortization	33.7	35.4	36.0	6.9%	65.1	71.4	9.6%
Earning before interest & tax (EBIT)	153.2	128.2	205.9	34.4%	218.7	334.0	52.7%
Finance cost	4.5	2.5	3.3	(27.5%)	9.4	5.8	(38.3%)
Profit before tax	148.6	125.7	202.6	36.3%	209.4	328.3	56.8%
Tax expense	19.6	19.2	37.1	89.3%	23.7	56.3	137.0%
Net Profit	129.1	106.5	165.5	28.2%	185.7	272.0	46.5%
<i>% of Net profit to operating revenue</i>	6.6%	5.9%	8.4%		5.1%	7.2%	
Earning per share	0.15	0.12	0.19	28.2%	0.21	0.31	

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.