

Date: 10 August 2016
 Subject: 2Q16 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 2Q16

Consolidated Income Statement

- **Overall operating revenue** of THB 2,082mn in 2Q16 (up by 5.5% YoY) and THB 4,039mn in 1H16 (up by 6.9% YoY).
- **Gross profit** of THB 918mn in 2Q16 (up by 7.1% YoY) and THB 1,685mn in 1H16 (up by 5.4% YoY).
- **EBITDA** of THB 289mn in 2Q16 (up by 19.4% YoY) and THB 478mn in 1H16 (up by 17.8% YoY).
- **Net profit** of THB 218mn in 2Q16 (up by 31.8% YoY) and THB 332mn in 1H16 (up by 22.1% YoY).
- **Interim dividend** of THB 0.23 per share (60% of 1H16 net profits) has been approved by Board of Directors for 1H16 compared to THB 0.16 per share (51% of 1H15 net profits) for 1H15.

Key points:

- **Overall operating revenue** in 2Q16 was THB 2,082mn, higher by 5.5% YoY taking the 1H16 revenue to THB 4,039mn, higher by 6.9% YoY.
 - Mega We Care™ revenue was THB 1,086mn in 2Q16 (up 7.9%YoY and 22.4% QoQ) taking 1H16 revenue to THB 1,973mn (up by 6.6% YoY).
 - Maxxcare™ revenue was THB 894mn in 2Q16 (up by 4.4% YoY but down 9.6% QoQ) taking the 1H16 revenue to THB 1,884mn (up by 10% YoY).
 - OEM revenue was THB 102mn in 2Q16 (down 7.0% YoY but up 26.3% QoQ) taking 1H16 revenue to THB 182mn (down by 14.6% YoY).
- **Overall gross margins** in 2Q16 improved to 44.1% from 43.5% in 2Q15. Overall gross margin for 1H16 was 41.7% compared to 42.3% in 1H15. Overall gross margin improvement in 2Q16 was mainly led by growth in Mega We Care™ revenue resulting in better revenue mix and stable segmental gross margins.

- **Selling and administrative expenses (SG&A)** was 30.7% of operating revenue in 2Q16 as compared to 30.5% in 1Q16 and 35.2% in 2Q15. SGA for 1H16 was 30.6% of operating revenue as against 34.3% in 1H15.

In absolute terms the SG&A in 2Q16 was higher by 7.2% QoQ but down by 8% YoY. Decline in 2Q16 SG&A percentage to revenue compared to 2Q15 was mainly a result of lower SG&A spend and higher sales base in 2Q16.

SG&A spending for 1H16 included THB 4.5mn towards new projects. Overall SG&A spending for second half of 2016 is expected to be higher than first half.

- **Net profit** in 2Q16 was THB 218mn, up 31.8% YoY. Increase in net profits was mainly a result of increase in Mega We Care™ revenue, stable segmental gross margins and lower SG&A expenses.

2Q16 net profits were impacted by one time forex loss of THB 44mn in Nigeria, mainly arising out of devaluation of Nigerian currency.

1H16 net profit came in at THB 332mn, higher by 22.1% 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 Statement

<i>Figures in THB mn</i>	2Q15	1Q16	2Q16	YoY Gr.	1H15	1H16	YoY Gr.
Operating Revenue	1,972.4	1,957.4	2,081.8	5.5%	3,777.2	4,039.1	6.9%
Gross profits	857.0	767.3	918.1	7.1%	1,599.0	1,685.4	5.4%
<i>Gross margin (%)</i>	43.5%	39.2%	44.1%		42.3%	41.7%	
Selling and Admin. exp (SGA)	695.2	596.9	639.6	(8.0%)	1,296.2	1,236.5	(4.6%)
<i>SGA (% to Operating revenue)</i>	35.2%	30.5%	30.7%		34.3%	30.6%	
EBITDA	241.9	188.8	288.7	19.4%	405.4	477.6	17.8%
Profit before tax	202.6	147.9	247.2	22.0%	328.3	395.1	20.4%
Net Profit	165.5	114.0	218.1	31.8%	272.0	332.0	22.1%
Add: SGA for new projects	-	1.9	2.6	na	-	4.5	na
Adjusted net profit	165.5	115.9	220.7	33.3%	272.0	336.6	23.8%

1. Overall Revenue

Overall operating revenue in 2Q16 was THB 2,081.8mn, higher by 5.5% YoY, driven by growth in Mega We Care™ and Maxxcare™ business of 7.9% YoY and 4.4% YoY, respectively. OEM was down by 7% YoY.

Overall operating revenue in 1H16 was at THB 4,039.1mn, higher by 6.9% YoY, driven by growth in Mega We Care™ and Maxxcare business of 6.6% YoY and 10% YoY. OEM was down by 14.6% YoY.

Southeast Asia¹ and Indochina² contributed 85.2% and 81.1% of our operating revenues in 1H16.

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

2. Thailand, Myanmar, Vietnam and Cambodia.

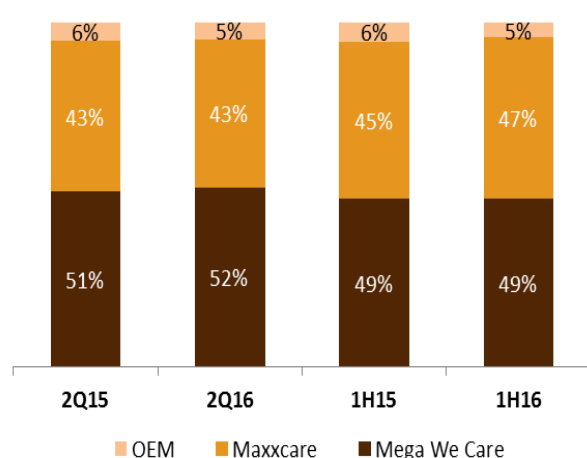
The following table represents the revenue generated under each operating segments.

Revenue* by Business Segment

<i>Figures in THB mn</i>	2Q15	1Q16	2Q16	YoY Gr.	1H15	1H16	YoY Gr.
Mega We Care™	1,006.4	887.3	1,085.8	7.9%	1,851.0	1,973.1	6.6%
Maxxcare™	856.5	989.5	894.2	4.4%	1,712.7	1,883.7	10.0%
OEM	109.4	80.6	101.8	(7.0%)	213.6	182.4	(14.6%)
Total	1,972.4	1,957.4	2,081.8	5.5%	3,777.2	4,039.1	6.9%

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

Revenue mix by segments (%)



- Proportion of Mega We Care™ revenue slightly increased from 51% in 2Q15 to 52% in 2Q16 of total operating revenue, while Maxxcare™ revenue remained constant at 43%, of total operating revenue in both periods.
- In 1H16, Maxxcare™ revenue proportion increased from 45% in 1H15 to 47% of total operating revenue, while Mega We Care™ revenue remained constant at 49% of the total operating revenue in both periods.

Mega We Care™ Branded Products Revenue

Revenue from sale of products under Mega We Care™ branded products business was THB 1,085.8mn in 2Q16, an increase of THB 79.3mn or 7.9% YoY, taking the 1H16 growth to 6.6% YoY.

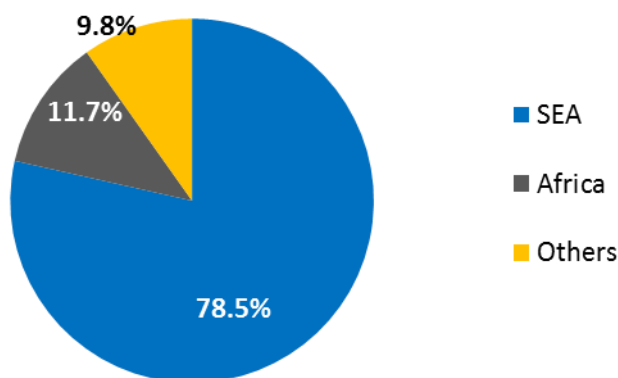
Growth in 2Q16 was mainly driven by Africa and Southeast Asia. Despite slowdown in Nigeria other markets in Africa did well to report growth of 28.7% YoY or THB 30mn while Southeast Asia was higher by 3.4% or THB 28.3mn. Thailand showed signs of recovery.

In 1H16, Southeast Asia and Africa were up by 2.3% YoY and 16.5%, while others was up by 39.1%.

Mega We Care™ Branded Products Revenue by Geography

<i>Figures in THBmn</i>	2Q15	1Q16	2Q16	YoY Gr.	1H15	1H16	YoY Gr.
Southeast Asia	831.0	689.9	859.3	3.4%	1,514.2	1,549.2	2.3%
Africa	107.1	92.1	137.8	28.7%	197.4	229.9	16.5%
Others	68.4	105.3	88.7	29.7%	139.4	194.0	39.1%
Total	1,006.4	887.3	1,085.8	7.9%	1,851.0	1,973.1	6.6%

Mega We Care™ Branded Products Revenue by Geography (1H16)

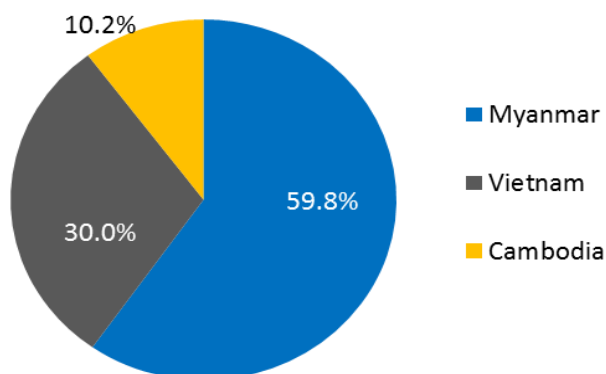


- Southeast Asia contributed 78.5%, while Indochina contributed 70.1% of the Mega We Care™ branded products business revenue.
- Africa, the second largest region contributed 11.7% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 894.2mn in 2Q16, an increase of THB 37.7mn or 4.4% YoY taking the 1H16 revenue to THB 1,883.7, an increase of 10% YoY. All markets reported growth.

Maxxcare™ Distribution Revenue by Geography (1H16)



Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 60% of the total Maxxcare™ revenue in 1H16.

OEM Business Revenue

OEM revenue was THB 101.8mn in 2Q16, down by 7% YoY, but up 26.3% QoQ. Decline in 2Q16 was mainly a result of lower order book from overseas customers. 1H16 revenue was THB 182.4mn, lower by 14.6% YoY. We expect the revenues to fair better during the year.

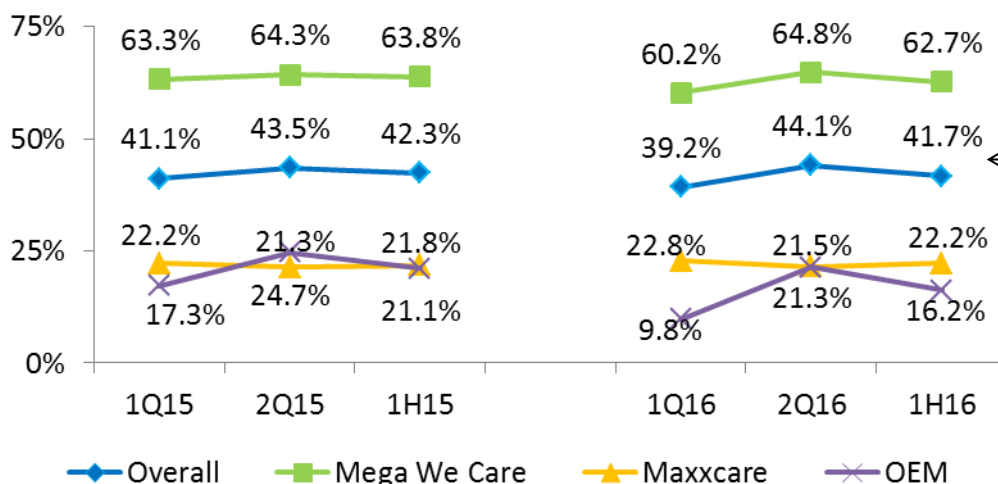
2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profit was THB 918.1mn in 2Q16, an increase of THB 61.1mn or 7.1% YoY taking 1H16 gross profits to THB 1,685.4mn up by 5.4% YoY. Overall gross margins in 2Q16 improved to 44.1% from 43.5% in 2Q15. 2Q16 improvement in overall gross margin was mainly led by growth in Mega We Care™ and stable segmental gross margins.

Overall gross margin in 1H16 mostly remained stable at 41.7% compared to 42.3% in 1H15.

Segmental gross profit (%) to segmental operating revenue



Overall gross margins improved from 43.5% in 2Q15 to 44.1% in 2Q16

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 64.8% in 2Q16 taking the 1H16 gross margins to 62.7% compared to 64.3% in 2Q15 and 63.8% in 1H15. Gross margin improvement in 2Q16 was mainly driven by increase in revenue.

2Q16 Mega We Care™ branded products gross profit was THB 703.7mn, an increase of THB 56.5mn or 8.7% YoY.

Maxxcare™ Distribution Business Gross Profit

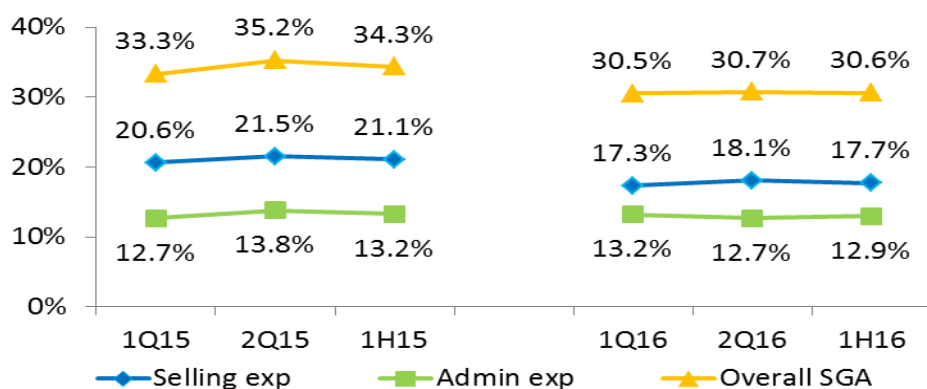
Maxxcare™ distribution business gross margin was 21.5% in 2Q16 and 22.2% for 1H16 compared to 21.3% in 2Q15 and 21.8% in 1H15. Gross profit in 2Q16 was THB 192.7mn, an increase of 5.4% YoY. Gross margins are influenced by principal and service mix.

OEM Business Gross Profit

OEM business gross margin improved from 9.8% in 1Q16 to 21.3% in 2Q16 taking 1H16 gross margins to 16.2% compared to 24.7% in 2Q15 and 21.1% for 1H15, respectively.

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

SG&A as a (%) to operating revenue



SG&A was 30.5% of operating revenue in 2Q16 as compared to 35.2% in 2Q15. In absolute terms SG&A in 2Q16 was THB 639.6mn compared to THB 596.9mn in 1Q16 and THB 695.2mn in 2Q15. In 2Q16 SG&A was higher by 7.2% QoQ but down 8% YoY. Decline in 2Q16 SG&A percentage to revenue compared to 2Q15 was mainly a result of lower SG&A spending and higher sales base in 2Q16.

1H16 SG&A was 30.6% compared to 34.3% in 1H15.

SG&A spending for 1H16 included THB 4.5mn towards new projects. Overall SG&A spending for second half of 2016 is expected to be higher than first half.

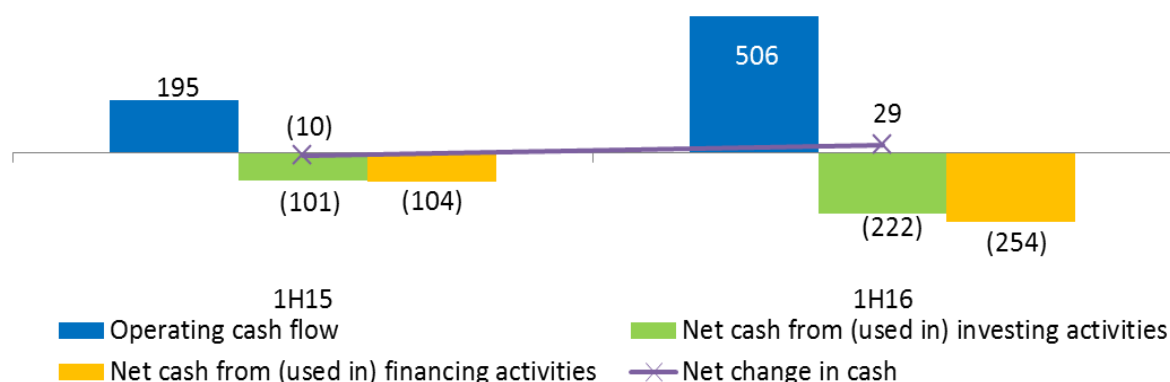
4. Consolidated Net Profit

Net profit in 2Q16 came in at THB 218.1mn, up 31.8% YoY. Increase in net profits was mainly a result of increase in Mega We Care™ revenue, stable segmental gross margins and lower SG&A expenses. 2Q16 net profits were impacted by one time forex loss of THB 44mn in Nigeria, mainly arising out of devaluation of Nigerian currency.

1H16 net profit came in at THB 332mn, higher by 22.1% YoY.

5. Cash Flows³

Figures in THBmn



3 a) Cash and bank balances as at balance sheet dates includes term deposits with banks.

b) Movement (investments/redemption) in non-restricted term deposits with banks has not been considered as investing activity in the above cash flow graph.

Operating Activities

Operating activities generated THB 505.7mn of cash in 1H16 compared to THB 195.2mn in 1H15. Increase in operating cash in 1H16 was mainly a result of increase in profits and improvement in overall working capital.

Working Capital

	For the period ending		
	Dec'15	Mar'16	June'16
Average receivable days	97	90	89
Average inventory days	147	136	144
Average payable days	115	99	106
Cash cycle (days)	129	127	126

Cash cycle improved from 129 days in Dec'15 to 126 days in June'16. Decrease in receivable and inventory days were partially offset by reduction in payable days.

Out of 144 days of Inventory as at June'16, inventory of finished goods and raw material at factory accounted for 31 days.

Investing Activities

In 1H16, net cash outflow from investing activities was THB 222mn mainly coming from, THB 167.2mn towards acquisition of new land very next to our existing Bangpu manufacturing facility in Thailand as part of future expansion plan; net cash outflow on account of this acquisition would be close to THB 70mn as we sell the other piece of land earmarked earlier for expansion. THB 36.4mn was paid towards maintenance and improvement capex for Thailand manufacturing facility and THB 9.8mn was spent towards upcoming Wellness We Care Centre.

We paid THB 10mn towards acquiring a brand (natural whole food based food product) and recognized the same as prepayment pending transfer of intellectual properties which is expected to complete by end of this year.

Capex plan:

We had a capex plan of THB 70mn for Wellness We Care center; we have already spent THB 43mn till date and the remaining amount will be spent in due course.

MEGA is exploring opportunities to construct its own warehouse and office space on leased land in Myanmar. The proposal is subject to clearance from respective regulatory authorities. Once the approval is available; an approximate outlay of THB 540mn would be spent in 2 years.

Aforementioned capex will be in addition to the normal maintenance and improvement capex required for the year.

Financing Activities

In 1H16, net cash outflow from financing activities was THB 254.4mn, mainly arising from payment of FY15 final dividends of THB 208.3mn and repayment of long term loans of THB 38.3mn.

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 1,476.6mn as at 30 June 2016, an increase of THB 9.8mn from 31 December 2015, increase mainly from business operations during the period.

Trade receivables were THB 1,971.2mn as at 30 June 2016, a decrease of THB 291.9mn compared to THB 2,263.1mn as at 31 December 2015. Inventories were THB 1,927.7mn as at 30 June 2016, a decrease of THB 138.9mn over 31 December 2015 level. The decrease in trade receivables and trade payables were partially offset by reduction in trade payables.

As at 30 June 2016, Current ratio was at 2.1 times.

Non-current Assets

Non-current assets were THB 1,611.2mn as at 30 June 2016, up by THB 167.9mn or 11.6% from 31 December 2015. The increase was driven by investment in property plant and equipment.

Current Liabilities

Current liabilities were THB 2,735.8mn as at 30 June 2016, a decrease of THB 357mn or 11.5% compared to 31 December 2015. Decrease was mainly driven by reduction in trade payables.

Trade payables were THB 1,346.8mn as at 30 June 2016, a decrease of THB 256mn from 31 December 2015. The decrease was in line with working capital requirements.

Non-current Liabilities

Non-current liabilities were THB 135.1mn as at 30 June 2016, a decrease of THB 47.5mn or 26%, compared to 31 December 2015, as long term loans declined following the debt repayment.

As at 30 June 2016, interest-bearing debt to equity ratio was 0.15 times, while debt to equity ratio was 0.6 times.

Shareholders' Equity

Shareholders' equity was THB 4,457.3mn as at 30 June 2016, an increase of THB 122.6mn compared to 31 December 2015, mainly driven by 1H16 net profits and dividend payouts.

Progress on new projects :

Wellness We Care Center : It will focus on helping people to prevent & reverse chronic diseases such as heart diseases, diabetes, obesity and hypertension, with changes in food & lifestyle under supervision of team of experts. First center is coming up at Muaklek in Saraburi province of Thailand. Infrastructure building is in progress. Expect to start our services by 4Q16.

Consolidated Balance Sheet⁴

<i>Figures in THB mn</i>	30-Jun-16		31-Dec-15		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ⁵	1,476.6	20.1%	1,466.8	19.3%	9.8	0.7%
Trade accounts receivable	1,971.2	26.9%	2,263.1	29.7%	(291.9)	(12.9%)
Inventories	1,927.7	26.3%	2,066.6	27.2%	(138.9)	(6.7%)
Other current assets	341.4	4.7%	370.2	4.9%	(28.8)	(7.8%)
Total Current Assets	5,717.0	78.0%	6,166.7	81.0%	(449.7)	(7.3%)
Non-Current Assets						
Property, plant and equipment	1,192.6	16.3%	1,031.5	13.6%	161.1	15.6%
Intangible assets	239.1	3.3%	232.7	3.1%	6.4	2.7%
Deferred tax asset	105.6	1.4%	105.7	1.4%	(0.1)	(0.1%)
Other non-current assets	73.9	1.0%	73.4	1.0%	0.5	0.7%
Total Non-Current Assets	1,611.2	22.0%	1,443.3	19.0%	167.9	11.6%
Total Assets	7,328.2	100.0%	7,610.0	100.0%	(281.9)	(3.7%)
Current Liabilities						
Bank overdrafts & short-term Loans	543.6	7.4%	543.3	7.1%	0.4	0.1%
Trade accounts payable	1,346.8	18.4%	1,602.9	21.1%	(256.0)	(16.0%)
Other payables	307.7	4.2%	332.4	4.4%	(24.7)	(7.4%)
Current portion of long-term loans	80.5	1.1%	82.5	1.1%	(2.1)	(2.5%)
Current portion of finance Lease liability	9.6	0.1%	8.4	0.1%	1.2	13.8%
Income tax payable	61.4	0.8%	80.1	1.1%	(18.7)	(23.4%)
Accrued expenses	386.1	5.3%	443.1	5.8%	(57.0)	(12.9%)
Total Current Liabilities	2,735.8	37.3%	3,092.7	40.6%	(357.0)	(11.5%)
Non-Current Liabilities						
Long-term loans	26.0	0.4%	68.0	0.9%	(41.9)	(61.7%)
Finance lease liabilities	12.7	0.2%	16.3	0.2%	(3.6)	(22%)
Deferred tax liability	0.9	0.0%	1.3	0.0%	(0.5)	(36.8%)
Employees benefits obligation	92.9	1.3%	94.4	1.2%	(1.5)	(1.6%)
Other non-current liabilities	2.6	0.0%	2.6	0.0%	-	0.0%
Total Non-Current Liabilities	135.1	1.8%	182.6	2.4%	(47.5)	(26.0%)
Total Liabilities	2,870.9	39.2%	3,275.4	43.0%	(404.5)	(12.4%)
Equity						
Issued and paid-up share capital	432.6	5.9%	432.6	5.7%	-	0.0%
Premium on ordinary shares	2,138.1	29.2%	2,138.1	28.1%	-	0.0%
Retained earnings:						
Appropriated	101.7	1.4%	92.5	1.2%	9.2	9.9%
Unappropriated	1,962.5	26.8%	1,839.8	24.2%	122.7	6.7%
Other components of equity	(177.6)	-2.4%	(168.3)	-2.2%	(9.3)	5.5%
Owners Equity	4,457.3	60.8%	4,334.7	57.0%	122.6	2.8%
Non-controlling interests	0.0	0.0%	(0.0)	0.0%	0.1	(309.5%)
Total Equity	4,457.3	60.8%	4,334.7	57.0%	122.6	2.8%
Total Liabilities and Equity	7,328.2	100.0%	7,610.0	100.0%	(281.9)	(3.7%)

4. Certain previous year account balances have been re-classified in our audited financial statement to align with the current period classification. 5. Cash and bank balances as at balance sheet dates include term deposits with banks.

Consolidated Income Statement

<i>Figures in THB mn</i>	2Q15	1Q16	2Q16	YoY Gr.	1H15	1H16	YoY Gr.
Operating Revenue	1,972.4	1,957.4	2,081.8	5.5%	3,777.2	4,039.1	6.9%
Other income	10.5	7.4	8.6	(18.3%)	25.8	16.0	(38.1%)
Total Income	1,982.9	1,964.8	2,090.3	5.4%	3,803.0	4,055.1	6.6%
Cost of goods sold	1,115.3	1,190.0	1,163.7	4.3%	2,178.2	2,353.7	8.1%
Gross profits	857.0	767.3	918.1	7.1%	1,599.0	1,685.4	5.4%
<i>Gross margin (%)</i>	43.5%	39.2%	44.1%		42.3%	41.7%	
Selling expense	423.9	338.3	375.9	(11.3%)	796.1	714.1	(10.3%)
Administrative expense	271.3	258.6	263.7	(2.8%)	500.0	522.3	4.5%
Selling & Administrative exp (SGA)	695.2	596.9	639.6	(8.0%)	1,296.2	1,236.5	(4.6%)
<i>SGA (% to operating revenue)</i>	35.2%	30.5%	30.7%		34.3%	30.6%	
Net foreign exchange loss/(gain)	(33.6)	26.5	35.4		(5.4)	62.0	
EBITDA	241.9	188.8	288.7	19.4%	405.4	477.6	17.8%
<i>% of EBITDA to operating revenue</i>	12.3%	9.6%	13.9%		10.7%	11.8%	
Depreciation & Amortization	36.0	37.5	37.1	2.9%	71.4	74.5	4.4%
Earning before interest & tax (EBIT)	205.9	151.3	251.7	22.3%	334.0	403.0	20.7%
Finance cost	3.3	3.4	4.5	35.6%	5.8	7.9	36.7%
Profit before tax	202.6	147.9	247.2	22.0%	328.3	395.1	20.4%
Tax expense	37.1	33.8	29.2	(21.2%)	56.3	63.0	12.0%
Net Profit	165.5	114.0	218.1	31.8%	272.0	332.0	22.1%
<i>% of Net profit to operating revenue</i>	8.4%	5.8%	10.5%		7.2%	8.2%	
Earning per share	0.19	0.13	0.25	31.8%	0.31	0.38	22.1%

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.