

Date: 10 November 2016
 Subject: 3Q16 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 3Q16

Consolidated Income Statement

- **Overall operating revenue** of THB 2,176mn in 3Q16 (up by 15.4% YoY) and THB 6,215mn in 9M16 (up by 9.7% YoY).
- **Gross profit** of THB 895mn in 3Q16 (up by 10.9% YoY) and THB 2,581mn in 9M16 (up by 7.3% YoY).
- **EBITDA** of THB 237mn in 3Q16 (up by 11.5% YoY) and THB 715mn in 9M16 (up by 15.6% YoY).
- **Net profit** of THB 168mn in 3Q16 (up by 10.1% YoY) and THB 500mn in 9M16 (up by 17.8% YoY).

Key points:

- **Overall operating revenue** in 3Q16 was THB 2,176mn, higher by 15.4% YoY taking the 9M16 revenue to THB 6,215mn, higher by 9.7% YoY.
 - Mega We Care™ revenue was THB 987mn in 3Q16 up 11.2% YoY taking 9M16 revenue to THB 2,960mn (up by 8.1% YoY).
 - Maxxcare™ revenue was THB 1,081mn in 3Q16 up by 22.9% YoY taking the 9M16 revenue to THB 2,965mn (up by 14.4% YoY).
 - OEM revenue was THB 108mn in 3Q16 down by 9.0% YoY taking 9M16 revenue to THB 290mn (down by 12.6% YoY).
- **Overall gross margins** in 3Q16 was 41.1% compared to 42.8% in 3Q15. Overall gross margin for 9M16 was 41.5% compared to 42.5% in 9M15. While the segmental gross margins remained stable in 3Q16; change in revenue mix driven by relatively higher growth in Maxxcare™ revenue resulted in slight narrowing of the overall gross margin.
- **Selling and administrative expenses (SG&A)** was 31.4% of operating revenue in 3Q16 as compared to 30.7% in 2Q16 and 36.1% in 3Q15. SGA for 9M16 was 30.9% of operating revenue as against 34.9% in 9M15.

In absolute terms the SG&A in 3Q16 on year-on-year basis was almost flat but was higher by 6.9% QoQ. Decline in 3Q16 SG&A percentage to revenue compared to 3Q15 was mainly a result of higher revenue base in 3Q16.

SG&A spending for 9M16 included THB 13mn towards new projects.

- **Net profit** in 3Q16 was THB 168mn, up 10.1% YoY. Increase in net profits was mainly a result of increase in revenue and stable segmental gross margins.

9M16 net profit came in at THB 500mn, higher by 17.8% YoY. Net profits in 9M16 was impacted by net forex loss of THB 82mn mainly driven by devaluation of Nigerian currency amounting to THB 60mn.

Net profits adjusted for net forex loss in 9M16 was THB 582mn.

MEGA remains focused on further cementing our leadership position in Indochina and deepening our presence in the Sub-Saharan African countries. With our market leading brands, healthy pipeline of new products and underlying potential of Indochina and Sub-Saharan African regions. MEGA is concentrating all efforts towards doubling its revenue and net profit over the next 5 years.

Income Statement

<i>Figures in THB mn</i>	3Q15	2Q16	3Q16	YoY Gr.	9M15	9M16	YoY Gr.
Operating Revenue	1,885.5	2,081.8	2,175.6	15.4%	5,662.7	6,214.7	9.7%
Gross profits	806.8	918.1	895.2	10.9%	2,405.8	2,580.6	7.3%
<i>Gross margin (%)</i>	42.8%	44.1%	41.1%		42.5%	41.5%	
Selling and Admin. exp (SGA) ¹	681.0	639.6	683.4	0.4%	1,977.2	1,919.9	(2.9%)
<i>SGA (% to Operating revenue)</i>	36.1%	30.7%	31.4%		34.9%	30.9%	
EBITDA	212.8	288.7	237.3	11.5%	618.2	714.9	15.6%
Profit before tax	175.3	247.2	193.7	10.5%	503.5	588.8	16.9%
Net Profit	152.5	218.1	167.9	10.1%	424.5	499.9	17.8%
Add: SGA for new projects	-	2.6	8.2	na	-	12.7	na
Adjusted net profit	152.5	220.7	176.1	15.5%	424.5	512.7	20.8%

1. Overall Revenue

Overall operating revenue in 3Q16 was THB 2,175.6mn, higher by 15.4% YoY, driven by growth in Mega We Care™ and Maxxcare™ business of 11.2% YoY and 22.9% YoY, respectively. OEM was down by 9% YoY.

Overall operating revenue in 9M16 was at THB 6,214.7mn, higher by 9.7% YoY, driven by growth in Mega We Care™ and Maxxcare™ business of 8.1% YoY and 14.4% YoY. OEM was down by 12.6% YoY.

Southeast Asia² and Indochina³ contributed 85.4% and 81.4% of our operating revenues in 9M16.

1. THB 57.7mn attributable to forex loss in 3Q15 is classified as SG&A expenses in audited financials per TFRS guidance. Given the nature of this charge in business, the amount is classified as forex loss in MD&A.

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

3. Thailand, Myanmar, Vietnam and Cambodia.

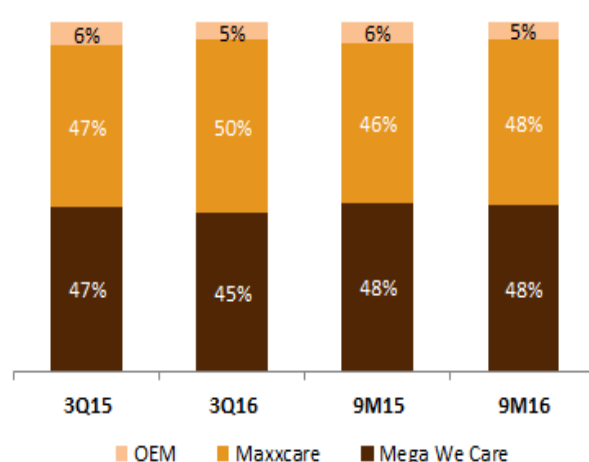
The following table represents the revenue generated under each operating segments.

Revenue* by Business Segment

<i>Figures in THB mn</i>	3Q15	2Q16	3Q16	YoY Gr.	9M15	9M16	YoY Gr.
Mega We Care™	887.2	1,085.8	986.5	11.2%	2,738.2	2,959.6	8.1%
Maxxcare™	879.5	894.2	1,081.1	22.9%	2,592.2	2,964.8	14.4%
OEM	118.8	101.8	108.0	(9.0%)	332.3	290.4	(12.6%)
Total	1,885.5	2,081.8	2,175.6	15.4%	5,662.7	6,214.7	9.7%

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

Revenue mix by segments (%)



- Proportion of Mega We Care™ revenue to total operating revenue slightly decreased from 47% in 3Q15 to 45% in 3Q16; while Maxxcare™ revenue proportion increased from 47% in 3Q15 to 50% in 3Q16.
- Mega We Care™ revenue proportion to total operating revenue remained constant at 48% in 9M16 and 9M15 while Maxxcare™ revenue proportion increased from 46% in 9M15 to 48% in 9M16.

Mega We Care™ Branded Products Revenue

Revenue from sale of products under Mega We Care™ branded products business was THB 986.5mn in 3Q16, an increase of THB 99.3mn or 11.2% YoY, taking the 9M16 growth to 8.1% YoY.

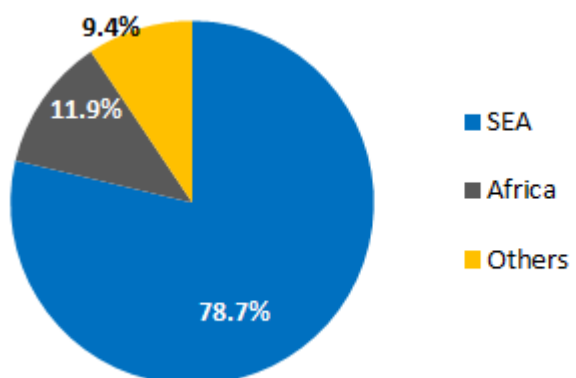
Revenue growth in 3Q16 was mainly driven by Southeast Asia. Southeast Asia growth was led by Key markets while Thailand continued to maintain the recovery momentum. Decline in Africa was mainly a result of slowdown in Nigeria while other markets remained stable.

In 9M16, Southeast Asia and Africa were up by 6.2% each on year-on-year basis.

Mega We Care™ Branded Products Revenue by Geography

<i>Figures in THBmn</i>	3Q15	2Q16	3Q16	YoY Gr.	9M15	9M16	YoY Gr.
Southeast Asia	679.1	859.3	780.6	14.9%	2,193.3	2,329.8	6.2%
Africa	133.4	137.8	121.4	(9.0%)	330.8	351.3	6.2%
Others	74.7	88.7	84.5	13.1%	214.2	278.5	30.0%
Total	887.2	1,085.8	986.5	11.2%	2,738.2	2,959.6	8.1%

Mega We Care™ Branded Products Revenue by Geography (9M16)

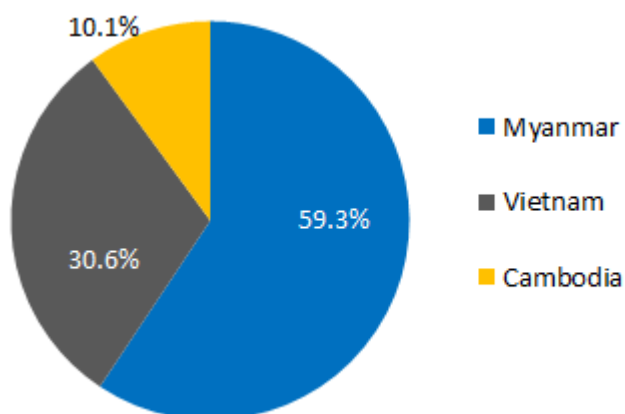


- Southeast Asia contributed 78.7%, while Indochina contributed 70.4% of the Mega We Care™ branded products business revenue.
- Africa, the second largest region contributed 11.9% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 1,081.1mn in 3Q16, an increase of THB 201.6 mn or 22.9% YoY taking the 9M16 revenue to THB 2,964.8mn, an increase of 14.4% YoY. All markets reported growth.

Maxxcare™ Distribution Revenue by Geography (9M16)



Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 59% of the total Maxxcare™ revenue in 9M16.

OEM Business Revenue

OEM revenue was THB 108mn in 3Q16, down by 9% YoY, but up 6.1% QoQ. Decline in 3Q16 was mainly a result of lower order book from overseas customers. 9M16 revenue was THB 290.4mn, lower by 12.6% YoY.

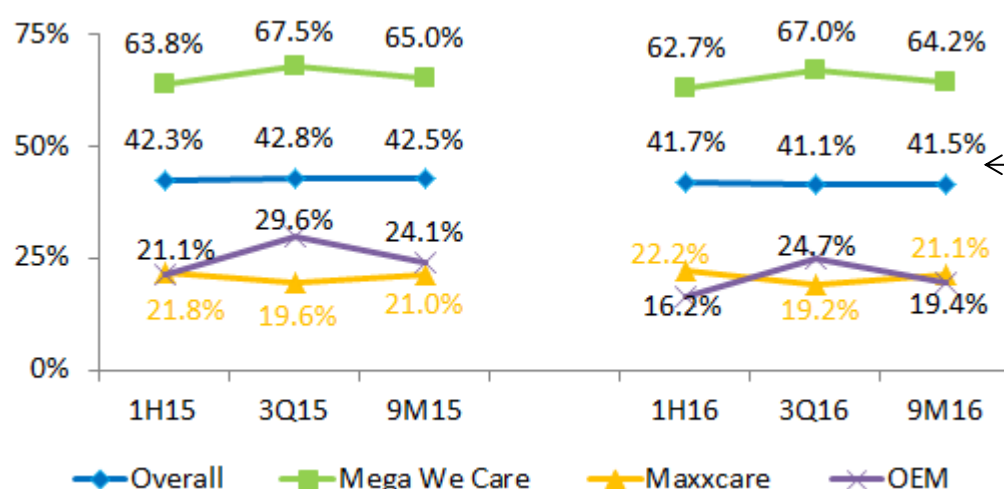
2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profit was THB 895.2mn in 3Q16, an increase of THB 88.3mn or 10.9% YoY taking 9M16 gross profits to THB 2,580.6mn up by 7.3% YoY. Overall gross margin in 3Q16 was 41.1% compared to 42.8% in 3Q15. While segmental gross margins remained stable; change in revenue mix driven by relatively higher growth in Maxxcare™ revenue resulted in slight narrowing of the overall gross margin.

Overall gross margin on year-on year basis in 9M16 mostly remained stable at 42%.

Segmental gross profit (%) to segmental operating revenue



Overall gross margins stable at 42% levels

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 67% in 3Q16 taking the 9M16 gross margins to 64.2% compared to 67.5% in 3Q15 and 65% in 9M15. Gross margin mostly remained stable at 67% in 3Q16 on year-on-year basis.

3Q16 Mega We Care™ branded products gross profit was THB 661.1mn, an increase of THB 62mn or 10.3% YoY.

Maxxcare™ Distribution Business Gross Profit

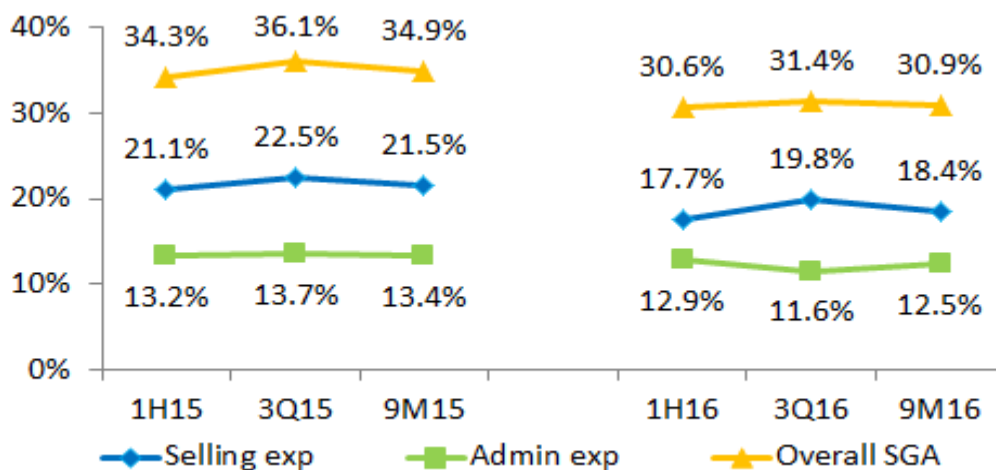
Maxxcare™ distribution business gross margin was 19.2% in 3Q16 and 21.1% for 9M16 compared to 19.6% in 3Q15 and 21% in 9M15. Gross profit in 3Q16 was THB 207.3mn, an increase of 20.2% YoY. Gross margins are influenced by principal and service mix.

OEM Business Gross Profit

OEM business gross margin improved from 16.2% in 1H16 to 24.7% in 3Q16 taking 9M16 gross margins to 19.4% compared to 29.6% in 3Q15 and 24.1% for 9M15, respectively.

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

SG&A as a (%) to operating revenue



SG&A was 31.4% of operating revenue in 3Q16 as compared to 36.1% in 3Q15. In absolute terms SG&A in 3Q16 was THB 683.4mn compared to THB 639.6mn in 2Q16 and THB 681mn in 3Q15. In 3Q16 SG&A was higher by 6.9% QoQ and remained almost flat on year-on-year basis. Decline in 3Q16 SG&A percentage to revenue compared to 3Q15 was mainly a result of higher revenue base in 3Q16. 9M16 SG&A was 30.9% compared to 34.9% in 9M15.

SG&A spending for 9M16 included THB 12.7mn towards new projects.

4. Consolidated Net Profit

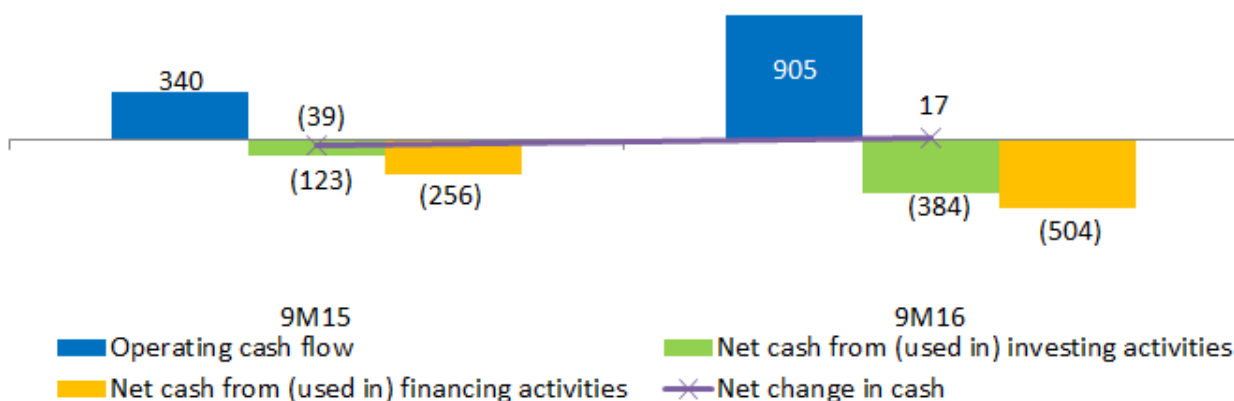
Net profit in 3Q16 came in at THB 167.9mn, up 10.1% YoY. Increase in net profits was mainly a result of increase in revenue and stable segmental gross margins.

9M16 net profit came in at THB 499.9mn, higher by 17.8% YoY. Net profits in 9M16 was impacted by net forex loss of THB 81.8mn mainly driven by devaluation of Nigerian currency amounting to THB 59.8mn.

Net profits adjusted for net forex loss in 9M16 was THB 581.8mn.

5. Cash Flows⁴

Figures in THBmn



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

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

Operating Activities

Operating activities generated THB 904.9mn of cash in 9M16 compared to THB 340.3mn in 9M15. Increase in operating cash in 9M16 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	Sep'16
Average receivable days	97	90	89	87
Average inventory days	147	136	144	144
Average payable days	115	99	106	111
Cash cycle (days)	129	127	126	120

Cash cycle improved from 129 days in Dec'15 to 120 days in Sep'16. Decrease in receivable and inventory days were partially offset by reduction in payable days.

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

Investing Activities

In 9M16, net cash outflow from investing activities was THB 383.9mn mainly consisting of THB 167.4mn 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 151mn towards acquisition of leasehold rights of land in Myanmar for construction of state-of-art warehouse and THB 39mn towards maintenance and improvement capex for Thailand manufacturing facility. THB 13mn was spent towards construction of upcoming Wellness We Care Centre.

THB 10mn was spent for acquiring a brand (natural whole food based infant food product) in 9M16.

Capex plan:

MEGA intends to construct its own state-of-art warehouse and office space on leased land in Myanmar. Approval from the Myanmar Investment Commission was received in Sep'16. An approximate outlay of THB 540mn would be spent in 2 years. THB 151mn was already spent on the project till date.

Aforementioned capex will be in addition to the normal maintenance and improvement capex required for respective ensuing years.

Financing Activities

In 9M16, net cash outflow from financing activities was THB 503.6mn, mainly arising from payment of final dividends for FY15 of THB 208.3mn and interim dividend for FY16 of THB 199mn. Net cash outflow also included long term debt repayment of THB 96.4mn.

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 1,460.2mn as at 30 September 2016, a decrease of THB 6.8mn from 31 December 2015.

Trade receivables were THB 1,923.6mn as at 30 September 2016, a decrease of THB 339.5mn compared to THB 2,263.1mn as at 31 December 2015. Inventories were THB 1,974.6mn as at 30 September 2016, a decrease of THB 92mn over 31 December 2015 level. The decrease in trade receivables and inventories were partially offset by reduction in trade payables.

As at 30 September 2016, Current ratio was at 1.9 times.

Non-current Assets

Non-current assets were THB 1,774.7mn as at 30 September 2016, up by THB 331.4mn or 23% from 31 December 2015. The increase was driven by investment in property plant and equipment and increase

in other non-current assets which includes amount paid towards acquisition of leasehold rights for land in Myanmar for construction of state-of-art warehouse.

Current Liabilities

Current liabilities were THB 2,966.9mn as at 30 September 2016, a decrease of THB 125.9mn or 4.1% compared to 31 December 2015. Decrease was mainly driven by reduction in trade payables.

Trade payables were THB 1,519.8mn as at 30 September 2016, a decrease of THB 83.1mn from 31 December 2015. The decrease was in line with working capital requirements.

Non-current Liabilities

Non-current liabilities were THB 108.8mn as at 30 September 2016, a decrease of THB 73.9mn or 40.5%, compared to 31 December 2015, as long term loans declined following the debt repayment.

As at 30 September 2016, interest-bearing debt to equity ratio was 0.14 times, while debt to equity ratio was 0.7 times.

Shareholders' Equity

Shareholders' equity was THB 4,396.4mn as at 30 September 2016, an increase of THB 61.7mn compared to 31 December 2015, mainly driven by 9M16 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 Sheet⁵

Figures in THB mn	30-Sep-16		31-Dec-15		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ⁶	1,460.2	19.5%	1,466.8	19.3%	(6.6)	(0.5%)
Trade accounts receivable	1,923.6	25.7%	2,263.1	29.7%	(339.5)	(15.0%)
Inventories	1,974.6	26.4%	2,066.6	27.2%	(92.0)	(4.5%)
Other current assets	339.0	4.5%	370.2	4.9%	(31.2)	(8.4%)
Total Current Assets	5,697.3	76.2%	6,166.7	81.0%	(469.4)	(7.6%)
Non-Current Assets						
Property, plant and equipment	1,169.3	15.6%	1,031.5	13.6%	137.8	13.4%
Intangible assets	239.3	3.2%	232.7	3.1%	6.6	2.8%
Deferred tax asset	101.0	1.4%	105.7	1.4%	(4.7)	(4.5%)
Other non-current assets	265.2	3.5%	73.4	1.0%	191.8	261.3%
Total Non-Current Assets	1,774.7	23.8%	1,443.3	19.0%	331.4	23.0%
Total Assets	7,472.0	100.0%	7,610.0	100.0%	(138.1)	(1.8%)
Current Liabilities						
Bank overdrafts & short-term Loans	562.9	7.5%	543.3	7.1%	19.6	3.6%
Trade accounts payable	1,519.8	20.3%	1,602.9	21.1%	(83.1)	(5.2%)
Other payables	359.4	4.8%	332.4	4.4%	27.1	8.1%
Current portion of long-term loans	46.2	0.6%	82.5	1.1%	(36.4)	(44.1%)
Current portion of finance Lease liability	9.1	0.1%	8.4	0.1%	0.7	8.6%
Income tax payable	35.3	0.5%	80.1	1.1%	(44.8)	(55.9%)
Accrued expenses	434.1	5.8%	443.1	5.8%	(9.0)	(2.0%)
Total Current Liabilities	2,966.9	39.7%	3,092.7	40.6%	(125.9)	(4.1%)
Non-Current Liabilities						
Long-term loans	-	0.0%	68.0	0.9%	(68.0)	(100.0%)
Finance lease liabilities	9.4	0.1%	16.3	0.2%	(6.9)	(42%)
Deferred tax liability	0.6	0.0%	1.3	0.0%	(0.7)	(52.5%)
Employees benefits obligation	96.2	1.3%	94.4	1.2%	1.8	1.9%
Other non-current liabilities	2.5	0.0%	2.6	0.0%	(0.1)	(4.9%)
Total Non-Current Liabilities	108.8	1.5%	182.6	2.4%	(73.9)	(40.5%)
Total Liabilities	3,075.6	41.2%	3,275.4	43.0%	(199.8)	(6.1%)
Equity						
Issued and paid-up share capital	432.6	5.8%	432.6	5.7%	-	0.0%
Premium on ordinary shares	2,138.1	28.6%	2,138.1	28.1%	-	0.0%
Retained earnings:						
Appropriated	105.0	1.4%	92.5	1.2%	12.5	13.5%
Unappropriated	1,931.4	25.8%	1,839.8	24.2%	91.6	5.0%
Other components of equity	(210.7)	(2.8%)	(168.3)	-2.2%	(42.4)	25.2%
Owners Equity	4,396.4	58.8%	4,334.7	57.0%	61.7	1.4%
Non-controlling interests	0.0	0.0%	(0.0)	0.0%	0.0	(130.4%)
Total Equity	4,396.4	58.8%	4,334.7	57.0%	61.7	1.4%
Total Liabilities and Equity	7,472.0	100.0%	7,610.0	100.0%	(138.1)	(1.8%)

5. Certain previous year account balances have been re-classified in our audited financial to align with the current period classification.

6. Cash and bank balances as at balance sheet dates include non-restricted term deposits with banks.

Consolidated Income Statement

<i>Figures in THB mn</i>	3Q15	2Q16	3Q16	YoY Gr.	9M15	9M16	YoY Gr.
Operating Revenue	1,885.5	2,081.8	2,175.6	15.4%	5,662.7	6,214.7	9.7%
Other income	13.6	8.6	8.7	(36.0%)	39.4	24.7	(37.4%)
Total Income	1,899.1	2,090.3	2,184.3	15.0%	5,702.1	6,239.4	9.4%
Cost of goods sold	1,078.7	1,163.7	1,280.4	18.7%	3,256.9	3,634.1	11.6%
Gross profits	806.8	918.1	895.2	10.9%	2,405.8	2,580.6	7.3%
<i>Gross margin (%)</i>	42.8%	44.1%	41.1%		42.5%	41.5%	
Selling expense	423.6	375.9	431.2	1.8%	1,219.7	1,145.3	(6.1%)
Administrative expense	257.4	263.7	252.3	(2.0%)	757.4	774.6	2.3%
Selling & Administrative exp (SGA)¹	681.0	639.6	683.4	0.4%	1,977.2	1,919.9	(2.9%)
<i>SGA (% to operating revenue)</i>	36.1%	30.7%	31.4%		34.9%	30.9%	
Net foreign exchange loss/(gain)	(39.3)	35.4	19.9		(44.7)	81.8	
EBITDA	212.8	288.7	237.3	11.5%	618.2	714.9	15.6%
<i>% of EBITDA to operating revenue</i>	11.3%	13.9%	10.9%		10.9%	11.5%	
Depreciation & Amortization	34.1	37.1	36.8	8.1%	105.5	111.3	5.6%
Earning before interest & tax (EBIT)	178.7	251.7	200.5	12.2%	512.8	603.5	17.7%
Finance cost	3.5	4.5	6.8	97.3%	9.2	14.7	59.4%
Profit before tax	175.3	247.2	193.7	10.5%	503.5	588.8	16.9%
Tax expense	22.7	29.2	25.8	13.6%	79.0	88.8	12.4%
Net Profit	152.5	218.1	167.9	10.1%	424.5	499.9	17.8%
<i>% of Net profit to operating revenue</i>	8.1%	10.5%	7.7%		7.5%	8.0%	
Earning per share	0.18	0.25	0.19	10.1%	0.49	0.58	17.8%

1. THB 57.7mn attributable to forex loss in 3Q15 is classified as SG&A expenses in audited financials per TFRS guidance. Given the nature of this charge in business, the amount is classified as forex loss in MD&A.

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.