

Date: 11 May 2017
 Subject: 1Q17 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 mostly sold in developing countries with market leading presence in Southeast Asia and growing reach in Sub-Saharan Africa.
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. This segment also includes business arising from markets other than aforementioned countries where MEGA has distribution rights for third party products.
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 1Q17

Consolidated Income Statement Summary

- Overall operating revenue of THB 2,096mn in 1Q17 (up by 7.1% YoY).
- Gross profit of THB 898mn in 1Q17 (up by 17% YoY).
- EBITDA of THB 283mn in 1Q17 (up by 50% YoY).
- Net profit of THB 192mn in 1Q17 (up by 68.2% YoY). Net profits without forex of THB 166mn in 1Q17 (up by 18.2% YoY).

Key points:

- Overall operating revenue in 1Q17 was THB 2,096mn, higher by 7.1% YoY.
 - Mega We Care™ revenue was THB 1,012.3mn in 1Q17 (up by 14.1% YoY).
 - Maxxcare™ revenue was THB 947.8mn in 1Q17 (down by 4.2% YoY).
 - OEM revenue was THB 135.9mn in 1Q17 (up by 68.6% YoY).
- Overall gross margins in 1Q17 came in at 42.8% compared to 39.2% in 1Q16. Improvement in overall gross margin was mainly due to growth in Mega We Care™ revenue resulting in favourable revenue mix and better segmental gross margins in 1Q17.
- Selling and administrative expenses (SG&A) was 32.9% of operating revenue in 1Q17 compared to 30.5% in 1Q16. SG&A expenses for FY17 are expected to be around 31% to 32% of operating revenue.
- Net profit in 1Q17 was THB 191.7mn, up 68.2% YoY. Increase in net profits was mainly a result of growth in Mega We Care revenue, better segmental gross margins and forex gains. Net profits without forex was THB 166mn in 1Q17 compared to THB 140.5mn in 1Q16 representing a growth of 18.2% YoY.

* The information under this segment includes Bio-Life business (a newly acquired Malaysian subsidiary) and new projects which are in their nascent stage.

The inclusion of Bio-Life, our newly acquired subsidiary in Malaysia resulted in consolidated operating revenues growing by 4.5%, SG&A expenses by 6.2% and a net loss of THB 2mn (as a result of one time fair value adjustment) in 1Q17. On standalone basis business generated net profits of THB 10mn. The business is performing well and moving on expected lines.

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 business over 5 years.

Income Statement

<i>Figures in THB mn</i>	1Q16	1Q17	YoY Gr.
Operating Revenue	1,957.4	2,096.0	7.1%
Gross profits	767.3	897.5	17.0%
<i>Gross margin (%)</i>	39.2%	42.8%	
Selling and Admin. exp (SGA)	596.9	688.7	15.4%
<i>SGA (% to Operating revenue)</i>	30.5%	32.9%	
EBITDA	188.8	283.2	50.0%
Profit before tax	147.9	236.5	59.9%
Net Profit	114.0	191.7	68.2%
Add: New project expenses	1.6	5.7	na
Adjusted net profit	115.6	197.5	70.8%

Growth in Mega We Care revenue, better segmental gross margins and forex gains, drove growth in net profits

1. Overall Revenue

Overall operating revenue in 1Q17 was THB 2,096mn, higher by 7.1% YoY, mainly driven by growth in Mega We Care™ business of 14.1% YoY. Maxxcare™ distribution business decline of 4.2% was mainly due to loss of a principal in Myanmar; the new principals added are expected to offset the decline in due course.

Southeast Asia¹ and Indochina² contributed 83.5% and 75.1% of our operating revenues in 1Q17.

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

Revenue* by Business Segment

<i>Figures in THBmn</i>	1Q16	1Q17	YoY Gr.
Mega We Care™	887.3	1,012.3	14.1%
Maxxcare™	989.5	947.8	(4.2%)
OEM	80.6	135.9	68.6%
Total	1,957.4	2,096.0	7.1%

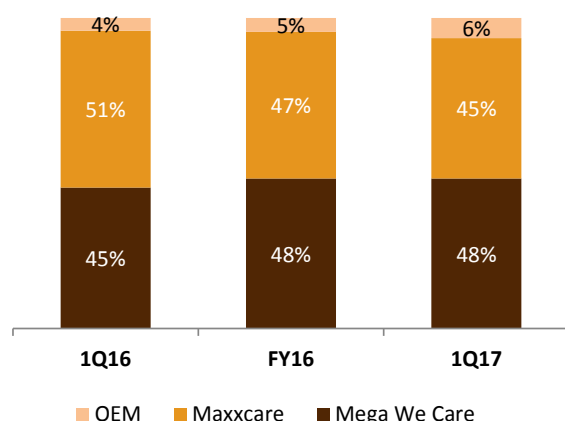
Growth in revenue driven by Mega We Care growth of 14.1%

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

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

2. Thailand, Myanmar, Vietnam and Cambodia.

Revenue mix by segments (%)



Proportion of Mega We Care™ revenue to total operating revenue increased from 45% in 1Q16 to 48% in 1Q17 while Proportion of Maxxcare™ business decreased from 51% in 1Q16 to 45% in 1Q17.

Mega We Care™ Branded Products Revenue

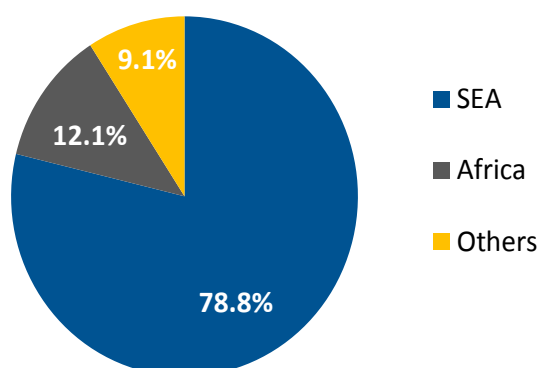
Revenue from sale of products under Mega We Care™ branded products business was THB 1,012.3mn in 1Q17, an increase of THB 125mn or 14.1% YoY.

Revenue growth in 1Q17 was driven by Southeast Asia which was up by 15.6% YoY with Thailand maintaining the recovery momentum and Bio-Life adding favorably. Africa was higher by 32.6% YoY.

Mega We Care™ Branded Products Revenue by Geography

Figures in THBmn	1Q16	1Q17	YoY Gr.
Southeast Asia	689.9	797.6	15.6%
Africa	92.1	122.2	32.6%
Others	105.3	92.6	(12.1%)
Total	887.3	1,012.3	14.1%

Mega We Care™ Branded Products Revenue by Geography (1Q17)

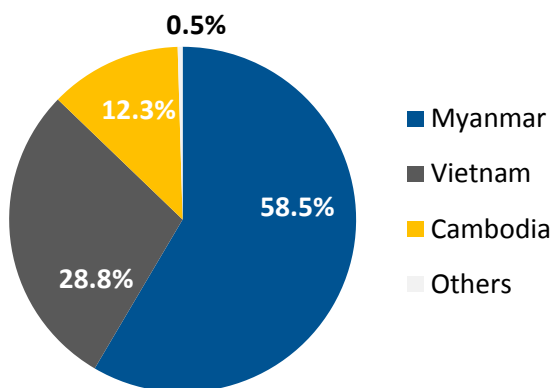


- Southeast Asia contributed 78.8%, while Indochina contributed 61.8% of the Mega We Care™ branded products business revenue.
- Africa, the second largest region contributed 12.1% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 947.8mn in 1Q17, a decrease of THB 41.7mn or 4.2% YoY. The decrease was mainly due to loss of a principal in Myanmar; the new principals added are expected to offset the decline in due course.

Maxxcare™ Distribution Revenue by Geography (1Q17)



Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 59% of the total Maxxcare™ revenue in 1Q17.

Others represent business arising from markets other than Myanmar, Vietnam and Cambodia where MEGA has distribution rights for third party products.

OEM Business Revenue

OEM revenue was THB 135.9mn in 1Q17, up by 68.6% YoY, mainly driven by increased demand from overseas customers.

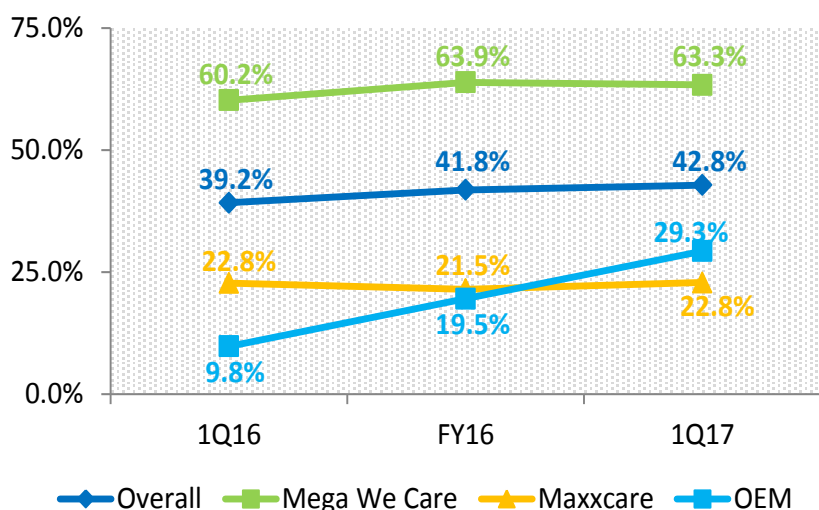
2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profit was THB 897.5mn in 1Q17, an increase of THB 130.2mn or 17% YoY. Overall gross margin in 1Q17 was 42.8% compared to 39.2% in 1Q16.

Improvement in overall gross margin was mainly due to growth in Mega We Care™ revenue resulting in better revenue mix and improved segmental gross margins in 1Q17.

Segmental gross profit (%) to segmental operating revenue



Better segmental gross margins coupled with favorable revenue mix improved overall gross margins

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin was 63.3% in 1Q17 compared to 60.2% in 1Q16. Gross profit in 1Q17 was THB 641.2mn, an increase of THB 106.9mn or 20.0% YoY. Gross margins are influenced by product mix and country mix amongst other factors.

Maxxcare™ Distribution Business Gross Profit

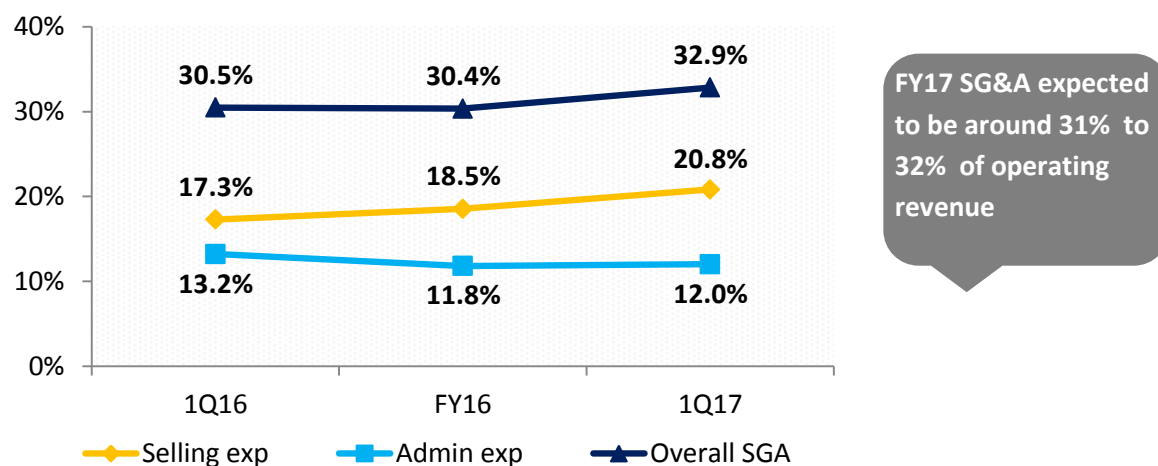
Maxxcare™ distribution business gross margin remained steady at 22.8% in 1Q17 and 1Q16. Gross profit in 1Q17 was THB 216.5mn, a decrease of THB 8.7mn or 3.8% YoY mainly arising out of lower revenue in 1Q17.

OEM Business Gross Profit

OEM business gross margin was 29.3% in 1Q17 compared to 9.8% in 1Q16. Gross profit in 1Q17 was THB 39.8mn, an increase of THB 31.9mn over 1Q16 mainly driven by increase in revenue and better gross margins, given orders from overseas customers.

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

SG&A as a (%) to operating revenue



SG&A expense was 32.9% of operating revenue in 1Q17 as compared to 30.5% in 1Q16. In absolute terms SG&A expense in 1Q17 was THB 688.7mn compared to THB 596.9mn in 1Q16 representing a growth of 15.4% YoY.

Apart from relatively higher spending in 1Q17 compared to 1Q16; Bio-life inclusion also contributed to increase in SG&A. We expect SG&A expenses for FY17 to be around 31% to 32% of operating revenue.

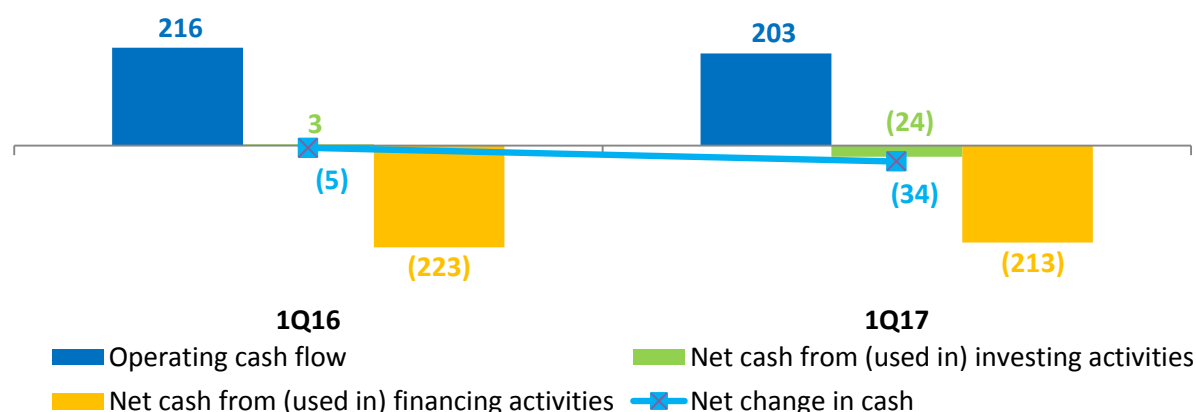
4. Consolidated Net Profit

Net profit in 1Q17 was THB 191.7mn compared to THB 114mn, up 68.2% YoY. Increase in net profits was mainly a result of growth in Mega We Care revenue, better segmental gross margins and forex gains.

Net profits without forex was THB 166mn in 1Q17 compared to THB 140.5mn in 1Q16 representing a growth of 18.2% YoY.

5. Cash Flows⁴

Figures in THBmn



4 a) Cash and bank balances as at balance sheet dates includes non-restricted 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 202.6mn of cash in 1Q17 compared to THB 215.5mn in 1Q16. Operating cash was slightly lower in 1Q17 due to changes in overall working capital.

Core working capital

	Dec'16	Mar'17
Average receivable days	92	81
Average inventory days	139	139
Average payable days	110	103
Cash cycle (days)	121	116

Cash cycle improved from 121 days in Dec'16 to 116 days in Mar'17. Reduction in receivable days was partly offset by reduction in payable days.

Investing Activities

In 1Q17, net cash outflow from investing activities was THB 24.2mn mainly arising out of improvement and maintenance capex.

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 is already received. Work has already begun and an approximate outlay of THB 500mn would be spent over 2 years.

We plan to construct our own warehouse on newly acquired land in Thailand next to our current manufacturing facility which would replace the leased premises currently used for our finished goods and raw materials. An approximate outlay of THB 160mn would be spent over a year's time.

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

Financing Activities

In 1Q17, net cash outflow from financing activities was THB 212.8mn, mainly arising from repayment of working capital loans of THB 204.3mn.

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 1,169.3mn as at 31 March 2017, a decrease of THB 47.5mn from 31 December 2016.

Trade receivables were THB 1,943.2mn as at 31 March 2017, a decrease of THB 289.9mn compared to THB 2,233mn as at 31 December 2016. Inventories were THB 2,076.2mn as at 31 March 2017, an increase of THB 187.3mn over 31 December 2016 level. The decrease in trade receivables were partially offset by reduction in trade payables and increase in inventories. Cash cycle improved from 121 days in Dec'16 to 116 days in Mar'17.

As at 31 March 2017, Current ratio was at 1.9 times.

Non-current Assets

Non-current assets were THB 2,214.4mn as at 31 March 2017, lower by THB 37.7mn or 1.7% from 31 December 2016.

Current Liabilities

Current liabilities were THB 2,879.2mn as at 31 March 2017, a decrease of THB 273.7mn or 8.7% compared to 31 December 2016. The decrease was mainly driven by decline in short terms loans following repayments.

Trade payables were THB 1,434.2mn as at 31 March 2017, a decrease of THB 84.4mn from 31 December 2016.

Non-current Liabilities

Non-current liabilities were THB 108.5mn as at 31 March 2017, remained mostly unchanged compared to 31 December 2016 level.

As at 31 March 2017, interest-bearing debt to equity ratio was 0.09 times, while debt to equity ratio was 0.62 times.

Shareholders' Equity

Shareholders' equity was THB 4,828.2mn as at 31 March 2017, an increase of THB 148.4mn compared to 31 December 2016, mainly driven by 1Q17 net profits.

Other business updates :

Wellness We Care Center: This center 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 has come up at Muaklek in Saraburi province of Thailand. Soft launch of our services has already begun.

Consolidated Balance Sheet

<i>Figures in THB mn</i>	31-Mar-17		31-Dec-16		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ⁶	1,169.3	15.0%	1,216.8	15.3%	(47.5)	(3.9%)
Trade accounts receivable	1,943.2	24.9%	2,233.0	28.1%	(289.9)	(13.0%)
Inventories	2,076.2	26.6%	1,888.9	23.8%	187.3	9.9%
Other current assets	413.0	5.3%	350.2	4.4%	62.8	17.9%
Total Current Assets	5,601.6	71.7%	5,688.9	71.6%	(87.3)	(1.5%)
Non-Current Assets						
Property, plant and equipment	1,142.2	14.6%	1,151.8	14.5%	(9.6)	(0.8%)
Intangible assets	720.6	9.2%	736.1	9.3%	(15.4)	(2.1%)
Deferred tax asset	79.6	1.0%	88.1	1.1%	(8.5)	(9.7%)
Other non-current assets	272.0	3.5%	276.1	3.5%	(4.1)	(1.5%)
Total Non-Current Assets	2,214.4	28.3%	2,252.1	28.4%	(37.7)	(1.7%)
Total Assets	7,816.0	100.0%	7,941.0	100.0%	(125.0)	(1.6%)
Current Liabilities						
Bank overdrafts & short-term Loans	433.1	5.5%	654.2	8.2%	(221.1)	(33.8%)
Trade accounts payable	1,434.2	18.4%	1,518.6	19.1%	(84.4)	(5.6%)
Other payables	437.7	5.6%	371.6	4.7%	66.2	17.8%
Current portion of long-term loans	-	0.0%	-	0.0%	-	
Current portion of finance Lease liab	8.9	0.1%	8.9	0.1%	(0.1)	(0.6%)
Income tax payable	88.5	1.1%	70.4	0.9%	18.1	25.8%
Accrued expenses	476.8	6.1%	529.3	6.7%	(52.5)	(9.9%)
Total Current Liabilities	2,879.2	36.8%	3,152.9	39.7%	(273.7)	(8.7%)
Non-Current Liabilities						
Long-term loans	-	0.0%	-	0.0%	-	
Finance lease liabilities	4.0	0.1%	6.6	0.1%	(2.6)	(39%)
Deferred tax liability	0.6	0.0%	0.9	0.0%	(0.3)	(34.4%)
Employees benefits obligation	101.5	1.3%	98.0	1.2%	3.4	3.5%
Other non-current liabilities	2.5	0.0%	2.7	0.0%	(0.3)	(10.0%)
Total Non-Current Liabilities	108.5	1.4%	108.3	1.4%	0.3	0.2%
Total Liabilities	2,987.8	38.2%	3,261.2	41.1%	(273.4)	(8.4%)
Equity						
Issued and paid-up share capital	432.6	5.5%	432.6	5.4%	-	0.0%
Premium on ordinary shares	2,138.1	27.4%	2,138.1	26.9%	-	0.0%
Retained earnings:						
Appropriated	111.6	1.4%	108.3	1.4%	3.3	3.0%
Unappropriated	2,418.1	30.9%	2,226.3	28.0%	191.7	8.6%
Other components of equity	(272.2)	(3.5%)	(225.5)	-2.8%	(46.6)	20.7%
Owners Equity	4,828.2	61.8%	4,679.8	58.9%	148.4	3.2%
Non-controlling interests	0.0	0.0%	0.0	0.0%	0.0	316.8%
Total Equity	4,828.2	61.8%	4,679.8	58.9%	148.4	3.2%
Total Liabilities and Equity	7,816.0	100.0%	7,941.0	100.0%	(125.0)	(1.6%)

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>	1Q16	1Q17	YoY Gr.
Operating Revenue	1,957.4	2,096.0	7.1%
Other income	7.4	9.3	25.6%
Total Income	1,964.8	2,105.3	7.2%
Cost of goods sold	1,190.0	1,198.5	0.7%
Gross profits	767.3	897.5	17.0%
<i>Gross margin (%)</i>	39.2%	42.8%	
Selling expense	338.3	436.7	29.1%
Administrative expense	258.6	252.0	(2.6%)
Selling & Administrative exp (SGA)	596.9	688.7	15.4%
<i>SGA (% to operating revenue)</i>	30.5%	32.9%	
Net foreign exchange loss/(gain)	26.5	(25.7)	
EBITDA	188.8	283.2	50.0%
<i>% of EBITDA to operating revenue</i>	9.6%	13.5%	
Depreciation & Amortization	37.5	39.3	5.0%
Earning before interest & tax (EBIT)	151.3	243.8	61.1%
Finance cost	3.4	7.3	110.6%
Share of profit/(loss) from JV	-	(0.1)	
Profit before tax	147.9	236.5	59.9%
Tax expense	33.8	44.8	32.4%
Net Profit	114.0	191.7	68.2%
<i>% of Net profit to operating revenue</i>	5.8%	9.1%	
Basic earning per share	0.13	0.22	68.2%

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.