

Date: 15 August 2017
 Subject: 2Q17 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:

- 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.
- 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.
- 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 2Q17

Consolidated Income Statement Summary

- **Overall operating revenue** of THB 2,395mn in 2Q17 (up by 15.1% YoY) and THB 4,491mn in 1H17 (up by 11.2% YoY).
- **Gross profit** of THB 1,081mn in 2Q17 (up by 17.7% YoY) and THB 1,978mn in 1H17 (up by 17.4%YoY).
- **EBITDA** of THB 367mn in 2Q17 (up by 27.2% YoY) and THB 651mn in 1H17 (up by 36.2% YoY).
- **Net profit** of THB 291mn in 2Q17 (up by 33.3% YoY) and THB 482mn in 1H17 (up by 45.3% YoY)
- **Interim dividend** of 30 satang per share representing 53.8% of 1H17 net profits and growth of 30.4% YoY has been approved by Board of Directors for 1H17.

Key points:

- **Overall operating revenue** in 2Q17 was THB 2,395mn, higher by 15.1% YoY taking the 1H17 revenue to THB 4,491mn, higher by 11.2% YoY.
 - Mega We Care™ revenue was THB 1,272mn in 2Q17 (up 17.2% YoY) taking 1H17 revenue to THB 2,285mn (up by 15.8% YoY).
 - Maxxcare™ revenue was THB 1,006mn in 2Q17 (up 12.5% YoY) taking 1H17 revenue to THB 1,953mn (up by 3.7% YoY).
 - OEM revenue was THB 117mn in 2Q17 (up 15.4% YoY) taking 1H17 revenue to THB 253mn (up by 38.9% YoY).
- **Overall gross margin** in 2Q17 was 45.1% compared to 44.1% in 2Q16. Overall gross margin for 1H17 was 44% compared to 41.7% in 1H16. Overall gross margin improvement in 2Q17 was mainly led by growth in Mega We Care™ revenue resulting in better revenue mix and better segmental gross margins.

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

- **Selling and administrative expenses (SG&A)** was 31% of operating revenue in 2Q17 as compared to 32.9% in 1Q17 and 30.7% in 2Q16. SGA for 1H17 was 31.9% of operating revenue as against 30.6% in 1H16. SG&A expenses for FY17 are expected to be around 31% to 32% of operating revenue.
- **Net profit** in 2Q17 was THB 291mn, up 33.3% YoY and THB 482mn in 1H17, up by 45.3% YoY. Increase in net profits was mainly a result of growth in Mega We Care revenue and better segmental gross margins.

Net profits without forex in 2Q17 was THB 308mn, up 21.6% YoY and THB 474mn in 1H17, up 20.3% YoY.

The inclusion of Bio-Life, our newly acquired subsidiary in Malaysia resulted in consolidated operating revenues growing by 4.9%, SG&A expenses by 6.6% and a net profit of THB 9mn (post one-time consolidation adjustment) in 1H17. On standalone basis business generated net profits of THB 22mn. 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.

Summarized Income Statement

<i>Figures in THB mn</i>	2Q16	1Q17	2Q17	YoY Gr.	1H16	1H17	YoY Gr.
Operating Revenue	2,081.8	2,096.0	2,395.4	15.1%	4,039.1	4,491.4	11.2%
Gross profits	918.1	897.5	1,080.9	17.7%	1,685.4	1,978.4	17.4%
<i>Gross margin (%)</i>	44.1%	42.8%	45.1%		41.7%	44.0%	
Selling and Admin. exp (SGA)	639.6	688.7	742.2	16.0%	1,236.5	1,430.9	15.7%
<i>SGA (% to Operating revenue)</i>	30.7%	32.9%	31.0%		30.6%	31.9%	
EBITDA	288.8	283.2	367.4	27.2%	477.6	650.6	36.2%
Profit before tax	247.2	236.5	322.7	30.5%	395.1	559.2	41.5%
Net Profit	218.0	191.7	290.6	33.3%	332.0	482.4	45.3%
Add: New project expenses	2.0	5.7	6.9	na	3.6	12.7	na
Adjusted net profit	220.0	197.5	297.6	35.3%	335.6	495.0	47.5%

Growth in Mega We Care revenue and

better segmental gross margins

drove growth in 2Q17 net profits

1. Overall Revenue

Overall operating revenue in 2Q17 was THB 2,395.4mn, higher by 15.1% YoY, driven by growth in Mega We Care™ and Maxxcare™ business of 17.2% YoY and 12.5% YoY, respectively. OEM was up by 15.4% YoY.

Overall operating revenue in 1H17 was THB 4,491.4mn, higher by 11.2% YoY, driven by growth in Mega We Care™ revenue of 15.8% YoY. Maxxcare business was up by 3.7% YoY and OEM was higher by 38.9% YoY.

Southeast Asia¹ and Indochina² contributed 84.3% and 75.9% of our operating revenues in 1H17.

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.

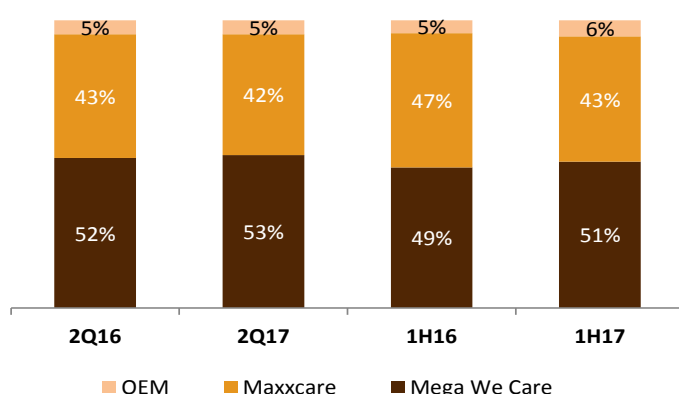
Revenue* by Business Segment

<i>Figures in THBmn</i>	2Q16	1Q17	2Q17	YoY Gr.	1H16	1H17	YoY Gr.
Mega We Care™	1,085.8	1,012.3	1,272.4	17.2%	1,973.1	2,284.7	15.8%
Maxxcare™	894.2	947.8	1,005.6	12.5%	1,883.7	1,953.4	3.7%
OEM	101.8	135.9	117.5	15.4%	182.4	253.3	38.9%
Total	2,081.8	2,096.0	2,395.4	15.1%	4,039.1	4,491.4	11.2%

2Q17 revenue increase driven by Mega We Care and Maxxcare growth of 17.2% YoY and 12.5% YoY.

*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 increased from 52% in 2Q16 to 53% in 2Q17 and increased from 49% in 1H16 to 51% in 1H17.

Mega We Care™ Branded Products Revenue

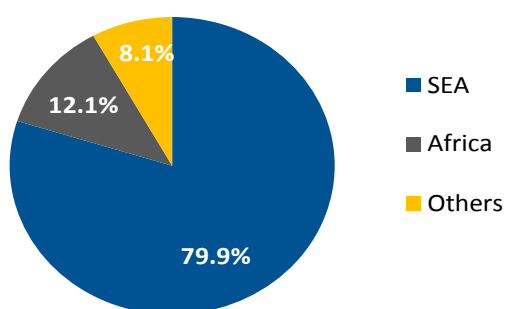
Revenue from sale of products under Mega We Care™ branded products business was THB 1,272.4mn in 2Q17, an increase of THB 186.6mn or 17.2% YoY, taking the 1H17 growth to 15.8% YoY.

Growth in 2Q17 was mainly driven by Southeast Asia which was up by 19.5% YoY or THB 167.6mn; Thailand was subdued but growth in other markets and addition of Bio-Life contributed favorably. In 1H17, Southeast Asia and Africa were up by 17.8% YoY and 20% YoY, respectively.

Mega We Care™ Branded Products Revenue by Geography

<i>Figures in THBmn</i>	2Q16	1Q17	2Q17	YoY Gr.	1H16	1H17	YoY Gr.
Southeast Asia	859.3	797.6	1,026.9	19.5%	1,549.2	1,824.5	17.8%
Africa	137.8	122.2	153.8	11.6%	229.9	275.9	20.0%
Others	88.7	92.6	91.7	3.4%	194.0	184.2	(5.0%)
Total	1,085.8	1,012.3	1,272.4	17.2%	1,973.1	2,284.7	15.8%

Mega We Care™ Branded Products Revenue by Geography (1H17)

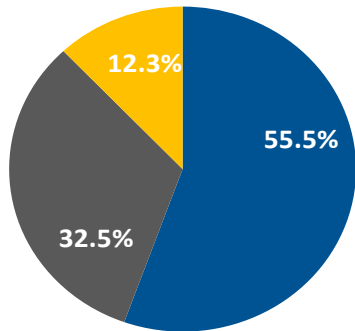


- Southeast Asia contributed 79.9%, while Indochina contributed 63.3% of the Mega We Care™ branded products business revenue.
- Africa, the second largest region contributed 12.1% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 1,005.6mn in 2Q17, an increase of THB 111.4mn or 12.5% YoY taking the 1H17 revenue to THB 1,953.4mn, an increase of 3.7% YoY.

Maxxcare™ Distribution Revenue by Geography (1H17)



Myanmar continues to be the largest market for Maxxcare™ distribution business, contributing 55.5% of the total Maxxcare™ revenue in 1H17 followed by Vietnam contributing 32.5%.

OEM Business Revenue

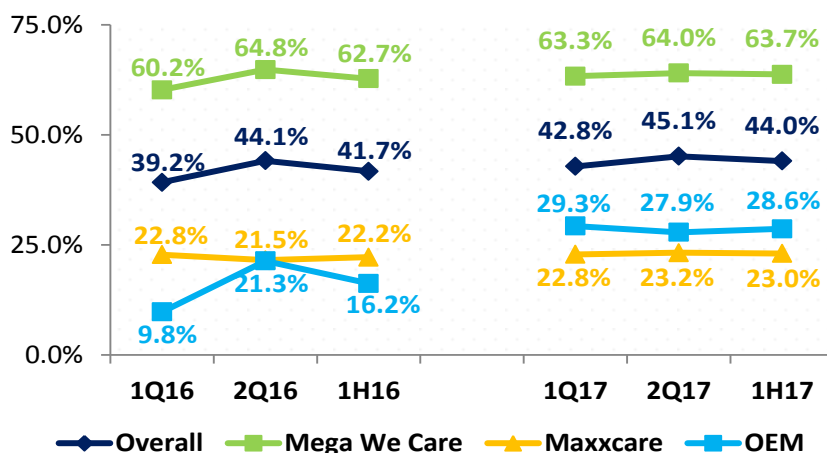
OEM revenue was THB 117.5mn in 2Q17, higher by 15.4% YoY or THB 15.7mn, taking 1H17 revenue to THB 253.3mn reflecting growth of 38.9% YoY. 2Q17 growth was mainly driven by increased demand from overseas customers.

2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profit was THB 1,080.9mn in 2Q17, an increase of THB 162.8mn or 17.7% YoY taking 1H17 gross profits to THB 1,978.4mn, up by 17.4% YoY. Overall gross margins in 2Q17 improved to 45.1% from 44.1% in 2Q16. 2Q17 improvement in overall gross margin was mainly led by growth in Mega We Care™ revenue and better segmental gross margins. Overall gross margin in 1H17 improved to 44% from 41.7% in 1H16.

Segmental gross profit (%) to segmental operating revenue



Growth in Mega We Care revenue coupled with better segmental gross margins improved overall gross margins

Mega We Care™ Branded Products Business Gross Profit

Mega We Care™ branded products gross margin remained steady at 64% in 2Q17 compared to 64.8% in 2Q16. Gross profit in 2Q17 came in at THB 814.6mn, an increase of THB 111mn or 15.8% YoY mainly driven by increase in revenue. 1H17 gross margins came in at 63.7% compared to 62.7% in 1H16. Gross margins are influenced by product mix and country mix amongst other factors.

Maxxcare™ Distribution Business Gross Profit

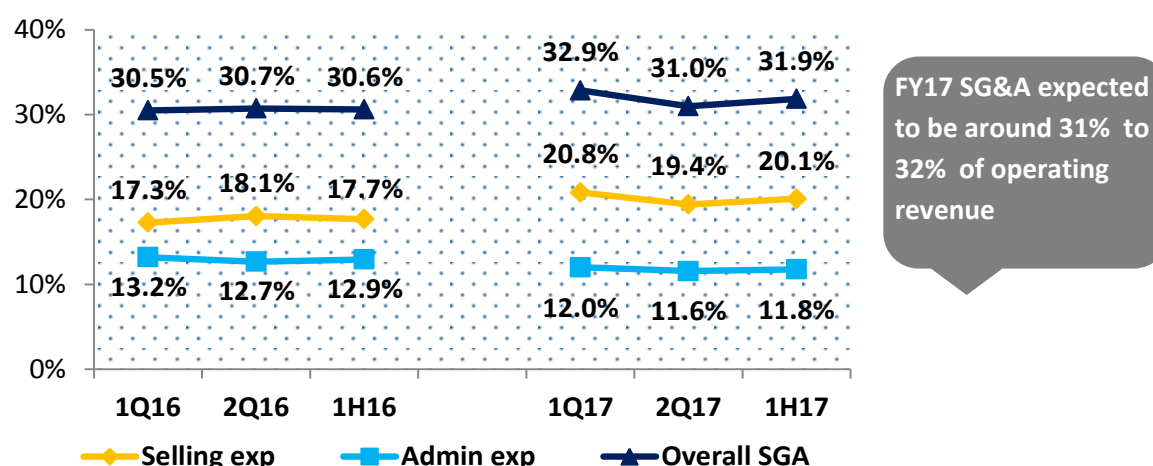
Maxxcare™ distribution business gross margin was 23.2% in 2Q17 compared to 21.5% in 2Q16. Gross profit in 2Q17 was THB 233.5mn, an increase of THB 40.8mn or 21.2% YoY mainly arising out of higher revenue and better gross margins in 2Q17. 1H17 gross margins came in at 23% compared to 22.2% in 1H16. Gross margins are influenced by principal and service mix amongst other factors.

OEM Business Gross Profit

OEM business gross margin was 27.9% in 2Q17 compared to 21.3% in 2Q16. Gross profit in 2Q17 was THB 32.7mn, an increase of THB 11.0mn over 2Q16 mainly driven by increase in revenue and better gross margins, given orders from overseas customers. 1H17 gross margins came in at 28.6% compared to 16.2% in 1H16.

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

SG&A as a (%) to operating revenue



SG&A expense was 31% of operating revenue in 2Q17 as compared to 32.9% in 1Q17 and 30.7% in 2Q16. In absolute terms SG&A expense in 2Q17 was THB 742.2mn compared to THB 639.6mn in 2Q16, representing a growth of 16% YoY. SG&A expense in 1H17 was 31.9% of operating revenue compared to 30.6% in 1H16.

Apart from relatively higher spending in 2Q17 compared to 2Q16; Bio-life inclusion also contributed to increase in SG&A expenses. We expect SG&A expenses for FY17 to be around 31% to 32% of operating revenue.

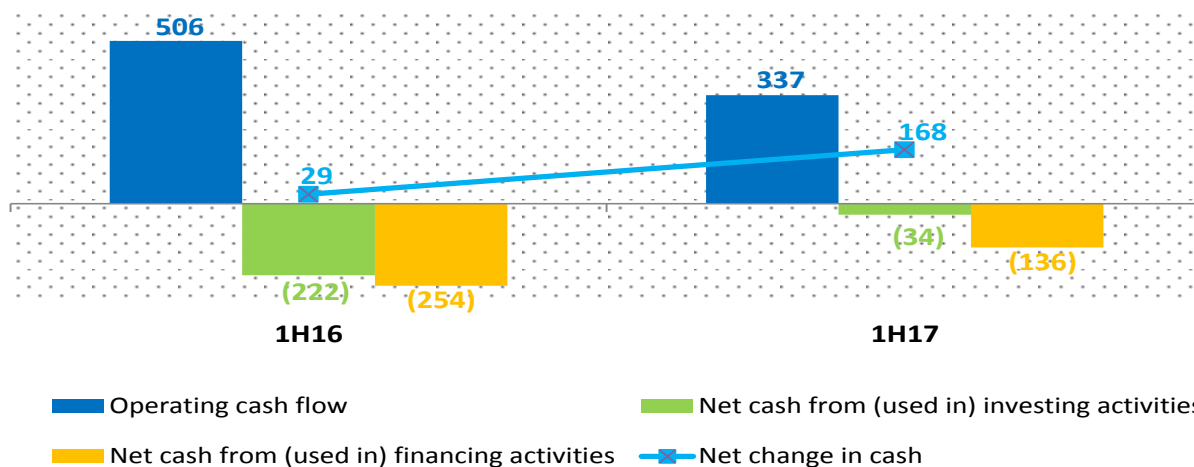
4. Consolidated Net Profit

Net profit in 2Q17 was THB 290.6mn, up 33.3% YoY and THB 482.4mn in 1H17, up by 45.3% YoY. Increase in net profits was mainly a result of growth in Mega We Care revenue and better segmental gross margins.

Net profits without forex in 2Q17 was THB 308.1mn, up 21.6% YoY and THB 474.2mn in 1H17, up 20.3% YoY.

5. Cash Flows³

Figures in THBmn



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

3 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 337.3mn of cash in 1H17 compared to THB 505.8mn in 1H16. Operating cash was lower in 1H17 due to increase in overall working capital, in line with business requirements.

Core working capital

	Dec'16	June'17
Average receivable days	92	80
Average inventory days	139	133
Average payable days	110	97
Cash cycle (days)	121	116

Cash cycle days improved to 116 days in June'17 from 121 day in Dec'16. Core working capital in absolute terms increased; in line with business requirements.

Investing Activities

In 1H17, net cash outflow from investing activities was THB 33.5mn 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 1H17, net cash outflow from financing activities was THB 136.1mn, mainly arising from FY16 final dividend payout of THB 207.8mn and increase in working capital loans of THB 89.6mn.

6. Balance Sheet

Current Assets

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 1,366mn as at 30 June 2017, an increase of THB 149.2mn from 31 December 2016.

Trade receivables were THB 2,107.1mn as at 30 June 2017, a decrease of THB 125.9mn compared to THB 2,233mn as at 31 December 2016. Inventories were THB 2,161.5mn as at 30 June 2017, an increase of THB 272.6mn 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 June'17.

As at 30 June 2017, Current ratio was at 1.9 times.

Non-current Assets

Non-current assets were THB 2,174.4mn as at 30 June 2017, lower by THB 77.7mn or 3.4% from 31 December 2016. The decrease was mainly driven by reduction in net book value of assets consequent to depreciation charge for 1H17 and realization of deferred tax assets.

Current Liabilities

Current liabilities were THB 3,205.6mn as at 30 June 2017, an increase of THB 52.7mn or 1.7% compared to 31 December 2016. The increase was mainly driven by increase in short terms loans.

Trade payables were THB 1,441mn as at 30 June 2017, a decrease of THB 77.6mn from 31 December 2016.

Non-current Liabilities

Non-current liabilities were THB 108.2mn as at 30 June 2017, remained mostly unchanged compared to 31 December 2016 level.

As at 30 June 2017, net-debt to equity ratio was (0.13) times, while debt to equity ratio was 0.68 times.

Shareholders' Equity

Shareholders' equity was THB 4,908.7mn as at 30 June 2017, an increase of THB 228.9mn compared to 31 December 2016, mainly driven by 1H17 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>	30-Jun-17		31-Dec-16		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ⁴	1,366.0	16.6%	1,216.8	15.3%	149.2	12.3%
Trade accounts receivable	2,107.1	25.6%	2,233.0	28.1%	(125.9)	(5.6%)
Inventories	2,161.5	26.3%	1,888.9	23.8%	272.6	14.4%
Other current assets	413.6	5.0%	350.2	4.4%	63.4	18.1%
Total Current Assets	6,048.1	73.6%	5,688.9	71.6%	359.2	6.3%
Non-Current Assets						
Property, plant and equipment	1,117.3	13.6%	1,151.8	14.5%	(34.5)	(3.0%)
Intangible assets	729.6	8.9%	736.1	9.3%	(6.4)	(0.9%)
Deferred tax asset	58.7	0.7%	88.1	1.1%	(29.4)	(33.4%)
Other non-current assets	268.7	3.3%	276.1	3.5%	(7.4)	(2.7%)
Total Non-Current Assets	2,174.4	26.4%	2,252.1	28.4%	(77.7)	(3.4%)
Total Assets	8,222.5	100.0%	7,941.0	100.0%	281.6	3.5%
Current Liabilities						
Bank overdrafts & short-term Loans	725.0	8.8%	654.2	8.2%	70.9	10.8%
Trade accounts payable	1,441.0	17.5%	1,518.6	19.1%	(77.6)	(5.1%)
Other payables	421.6	5.1%	371.6	4.7%	50.1	13.5%
Current portion of long-term loans	-	0.0%	-	0.0%	-	
Current portion of finance Lease liability	9.0	0.1%	8.9	0.1%	0.1	1.2%
Income tax payable	44.3	0.5%	70.4	0.9%	(26.1)	(37.1%)
Accrued expenses	564.6	6.9%	529.3	6.7%	35.3	6.7%
Total Current Liabilities	3,205.6	39.0%	3,152.9	39.7%	52.7	1.7%
Non-Current Liabilities						
Long-term loans	-	0.0%	-	0.0%	-	
Finance lease liabilities	1.6	0.0%	6.6	0.1%	(5.0)	(75%)
Deferred tax liability	0.6	0.0%	0.9	0.0%	(0.3)	(33.3%)
Employees benefits obligation	103.4	1.3%	98.0	1.2%	5.4	5.5%
Other non-current liabilities	2.5	0.0%	2.7	0.0%	(0.2)	(7.6%)
Total Non-Current Liabilities	108.2	1.3%	108.3	1.4%	(0.1)	(0.1%)
Total Liabilities	3,313.8	40.3%	3,261.2	41.1%	52.6	1.6%
Equity						
Issued and paid-up share capital	432.6	5.3%	432.6	5.4%	-	0.0%
Premium on ordinary shares	2,138.1	26.0%	2,138.1	26.9%	-	0.0%
Retained earnings:						
Appropriated	114.9	1.4%	108.3	1.4%	6.6	6.1%
Unappropriated	2,501.0	30.4%	2,226.3	28.0%	274.7	12.3%
Other components of equity	(277.9)	(3.4%)	(225.5)	-2.8%	(52.4)	23.2%
Owners Equity	4,908.7	59.7%	4,679.8	58.9%	228.9	4.9%
Non-controlling interests	0.0	0.0%	0.0	0.0%	0.0	183.2%
Total Equity	4,908.7	59.7%	4,679.8	58.9%	228.9	4.9%
Total Liabilities and Equity	8,222.5	100.0%	7,941.0	100.0%	281.6	3.5%

4. 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>	2Q16	1Q17	2Q17	YoY Gr.	1H16	1H17	YoY Gr.
Operating Revenue	2,081.8	2,096.0	2,395.4	15.1%	4,039.1	4,491.4	11.2%
Other income	8.6	9.3	8.6	0.5%	16.0	18.0	12.2%
Total Income	2,090.3	2,105.3	2,404.0	15.0%	4,055.1	4,509.4	11.2%
Cost of goods sold	1,163.7	1,198.5	1,314.5	13.0%	2,353.7	2,513.0	6.8%
Gross profits	918.1	897.5	1,080.9	17.7%	1,685.4	1,978.4	17.4%
<i>Gross margin (%)</i>	44.1%	42.8%	45.1%		41.7%	44.0%	
Selling expense	375.9	436.7	465.2	23.8%	714.1	901.9	26.3%
Administrative expense	263.7	252.0	277.0	5.0%	522.3	529.0	1.3%
Selling & Administrative exp (SGA)	639.6	688.7	742.2	16.0%	1,236.5	1,430.9	15.7%
<i>SGA (% to operating revenue)</i>	30.7%	32.9%	31.0%		30.6%	31.9%	
Net foreign exchange loss/(gain)	35.4	(25.7)	17.5		62.0	(8.2)	
EBITDA	288.8	283.2	367.4	27.2%	477.6	650.6	36.2%
<i>% of EBIDTA to operating revenue</i>	13.9%	13.5%	15.3%		11.8%	14.5%	
Depreciation & Amortization	37.1	39.3	37.6	1.4%	74.5	76.9	3.2%
Earning before interest & tax (EBIT)	251.7	243.8	329.8	31.0%	403.0	573.7	42.3%
Finance cost	4.5	7.3	6.7	50.1%	7.9	14.0	76.5%
Share of profit/(loss) from JV	-	(0.1)	(0.4)		-	(0.5)	
Profit before tax	247.2	236.5	322.7	30.5%	395.1	559.2	41.5%
Tax expense	29.2	44.8	32.1	9.9%	63.0	76.8	21.9%
Net Profit	218.0	191.7	290.6	33.3%	332.0	482.4	45.3%
<i>% of Net profit to operating revenue</i>	10.5%	9.1%	12.1%		8.2%	10.7%	
Basic earning per share	0.25	0.22	0.34	33.3%	0.38	0.56	45.3%

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.