

Date: 10 November 2017
 Subject: 3Q17 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 3Q17

Consolidated Income Statement Summary

- **Overall operating revenue** of THB 2,407mn in 3Q17 (up by 10.6% YoY) and THB 6,899mn in 9M17 (up by 11% YoY).
- **Gross profit** of THB 1,080mn in 3Q17 (up by 20.6% YoY) and THB 3,058mn in 9M17 (up by 18.5% YoY).
- **EBITDA** of THB 329mn in 3Q17 (up by 38.8% YoY) and THB 980mn in 9M17 (up by 37.1% YoY).
- **Net profit** of THB 246mn in 3Q17 (up by 46.6% YoY) and THB 728mn in 9M17 (up by 45.7% YoY)

Key points:

- **Overall operating revenue** in 3Q17 was THB 2,407mn, higher by 10.6% YoY taking the 9M17 revenue to THB 6,899mn, higher by 11% YoY.
 - Mega We Care™ revenue was THB 1,248mn in 3Q17 (up 26.5% YoY) taking 9M17 revenue to THB 3,533mn (up by 19.4% YoY).
 - Maxxcare™ revenue was THB 1,046mn in 3Q17 (down 3.2% YoY) taking 9M17 revenue to THB 3,000mn (up by 1.2% YoY).
 - OEM revenue was THB 113mn in 3Q17 (up 4.3% YoY) taking 9M17 revenue to THB 366mn (up by 26.1% YoY).
- **Overall gross margin** in 3Q17 was 44.9% compared to 41.1% in 3Q16. Overall gross margin for 9M17 was 44.3% compared to 41.5% in 9M16. Overall gross margin improvement in 3Q17 was mainly led by growth in Mega We Care™ revenue resulting in better revenue mix and stable 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 30.9% of operating revenue in 3Q17 as compared to 31% in 2Q17 and 31.4% in 3Q16. SGA for 9M17 was 31.5% of operating revenue as against 30.9% in 9M16. SG&A expenses for FY17 are expected to be in the range of 31% to 32% of operating revenue.
- **Net profit** in 3Q17 was THB 246mn, up 46.6% YoY and THB 728mn in 9M17, up by 45.7% YoY. Increase in net profits was mainly a result of growth in Mega We Care revenue and stable segmental gross margins.

The inclusion of Bio-Life, our newly acquired subsidiary in Malaysia resulted in consolidated operating revenues growing by 5%, SG&A expenses by 7% and a net profit of THB 20mn (post one-time consolidation adjustment) in 9M17. On standalone basis business generated net profits of THB 32mn. 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>	3Q16	2Q17	3Q17	YoY Gr.	9M16	9M17	YoY Gr.
Operating Revenue	2,175.6	2,395.4	2,407.1	10.6%	6,214.7	6,898.5	11.0%
Gross profits	895.2	1,080.9	1,079.9	20.6%	2,580.6	3,058.3	18.5%
<i>Gross margin (%)</i>	41.1%	45.1%	44.9%		41.5%	44.3%	
Selling and Admin. exp (SGA)	683.4	742.2	743.4	8.8%	1,919.9	2,174.3	13.2%
<i>SGA (% to Operating revenue)</i>	31.4%	31.0%	30.9%		30.9%	31.5%	
EBITDA	237.3	367.4	329.4	38.8%	714.9	980.0	37.1%
Profit before tax	193.7	322.7	284.9	47.1%	588.8	844.1	43.4%
Net Profit	167.9	290.6	246.0	46.6%	499.9	728.4	45.7%
Add: New project expenses	7.0	6.9	3.5	na	10.6	16.2	na
Adjusted net profit	174.9	297.6	249.5	42.7%	510.5	744.5	45.8%

Growth in Mega We Care revenue and

stable segmental gross margins

drove growth in 3Q17 net profits

1. Overall Revenue

Overall operating revenue in 3Q17 was THB 2,407.1mn, higher by 10.6% YoY, driven by growth in Mega We Care™ business of 26.5% YoY. Maxxcare™ distribution business was down by 3.2% YoY in 3Q17 while OEM was higher by 4.3% YoY.

Overall operating revenue in 9M17 was THB 6,898.5mn, higher by 11% YoY, driven by growth in Mega We Care™ revenue of 19.4% YoY. Maxxcare business was up by 1.2% YoY while OEM was higher by 26.1% YoY.

Southeast Asia¹ and Indochina² contributed 84.2% and 75.8% of our operating revenues in 9M17.

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.

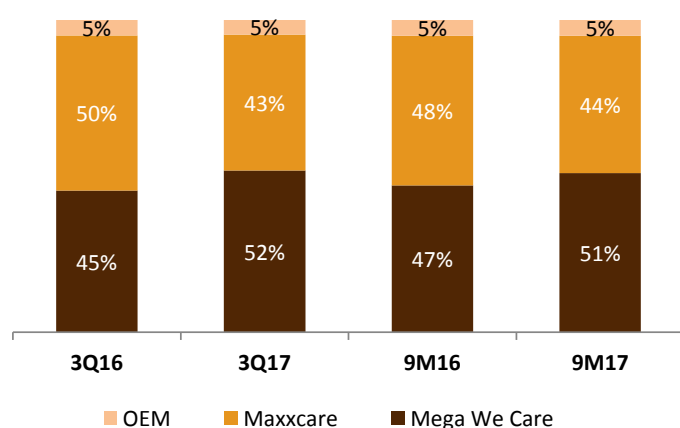
Revenue* by Business Segment

<i>Figures in THBmn</i>	3Q16	2Q17	3Q17	YoY Gr.	9M16	9M17	YoY Gr.
Mega We Care™	986.5	1,272.4	1,247.9	26.5%	2,959.6	3,532.6	19.4%
Maxxcare™	1,081.1	1,005.6	1,046.4	(3.2%)	2,964.8	2,999.8	1.2%
OEM	108.0	117.5	112.7	4.3%	290.4	366.0	26.1%
Total	2,175.6	2,395.4	2,407.1	10.6%	6,214.7	6,898.5	11.0%

3Q17 revenue increase driven by growth in Mega We Care business

*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 45% in 3Q16 to 52% in 3Q17 and increased from 47% in 9M16 to 51% in 9M17.

Mega We Care™ Branded Products Revenue

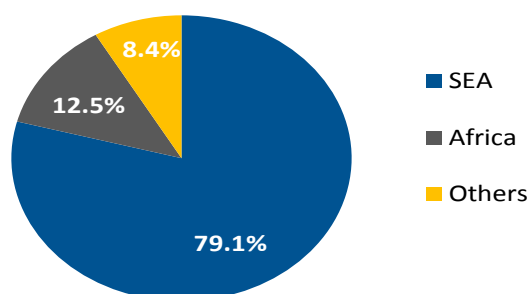
Revenue from sale of products under Mega We Care™ branded products business was THB 1,247.9mn in 3Q17, an increase of THB 261.4mn or 26.5% YoY, taking the 9M17 growth to 19.4% YoY.

3Q17 growth was mainly driven by Southeast Asia which was up by 24.4% YoY or THB 190.4mn. In 9M17, Southeast Asia and Africa were up by 20% YoY and 25.2% YoY, respectively.

Mega We Care™ Branded Products Revenue by Geography

<i>Figures in THBmn</i>	3Q16	2Q17	3Q17	YoY Gr.	9M16	9M17	YoY Gr.
Southeast Asia	780.6	1,026.9	971.0	24.4%	2,329.8	2,795.6	20.0%
Africa	121.4	153.8	163.8	34.9%	351.3	439.7	25.2%
Others	84.5	91.7	113.1	33.9%	278.5	297.4	6.8%
Total	986.5	1,272.4	1,247.9	26.5%	2,959.6	3,532.6	19.4%

Mega We Care™ Branded Products Revenue by Geography (9M17)

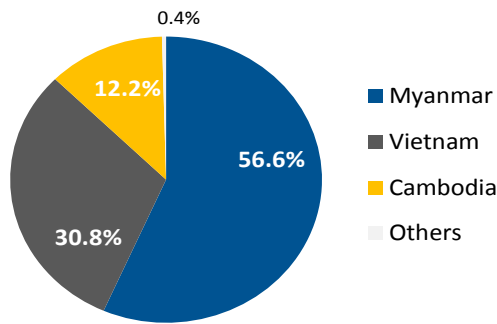


- Southeast Asia contributed 79.1%, while Indochina contributed 63.1% of the Mega We Care™ branded products business revenue.
- Africa, the second largest region contributed 12.5% of the Mega We Care™ branded products business revenue.

Maxxcare™ Distribution Revenue

Maxxcare™ distribution business revenue was THB 1,046.4mn in 3Q17, a decrease of THB 34.6mn or 3.2% YoY taking the 9M17 revenue to THB 2,999.8mn, an increase of 1.2% YoY. Decline in 3Q17 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 (9M17)



Myanmar is the largest market for Maxxcare™ distribution business, contributing 56.6% of the total Maxxcare™ revenue in 9M17 followed by Vietnam contributing 30.8%.

OEM Business Revenue

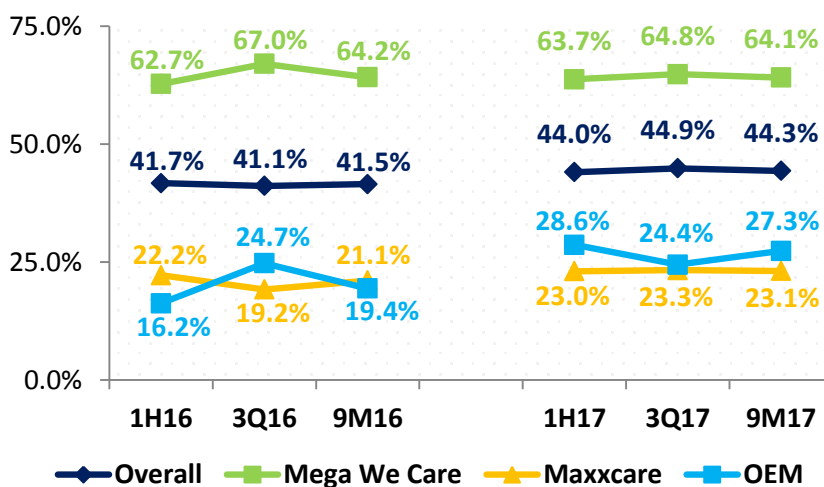
OEM revenue was THB 112.7mn in 3Q17, higher by 4.3% YoY or THB 4.7mn, taking 9M17 revenue to THB 366mn reflecting growth of 26.1% YoY.

2. Gross Profits

Consolidated Gross Margin and Gross Profits

Consolidated gross profit was THB 1,079.9mn in 3Q17, an increase of THB 184.8mn or 20.6% YoY taking 9M17 gross profits to THB 3,058.3mn, up by 18.5% YoY. Overall gross margins in 3Q17 improved to 44.9% from 41.1% in 3Q16. 3Q17 improvement in overall gross margin was mainly led by growth in Mega We Care™ revenue and stable segmental gross margins. Overall gross margin in 9M17 improved to 44.3% from 41.5% in 9M16.

Segmental gross profit (%) to segmental operating revenue



Growth in Mega We Care revenue coupled with stable 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 over 64% in 3Q17 and 3Q16. Gross profit in 3Q17 came in at THB 809mn, an increase of THB 147.6mn or 22.3% YoY mainly driven by increase in revenue. 9M17 gross margins came in at 64.1% compared to 64.2% in 9M16. Gross margins are influenced by product mix and country mix amongst other factors.

Maxxcare™ Distribution Business Gross Profit

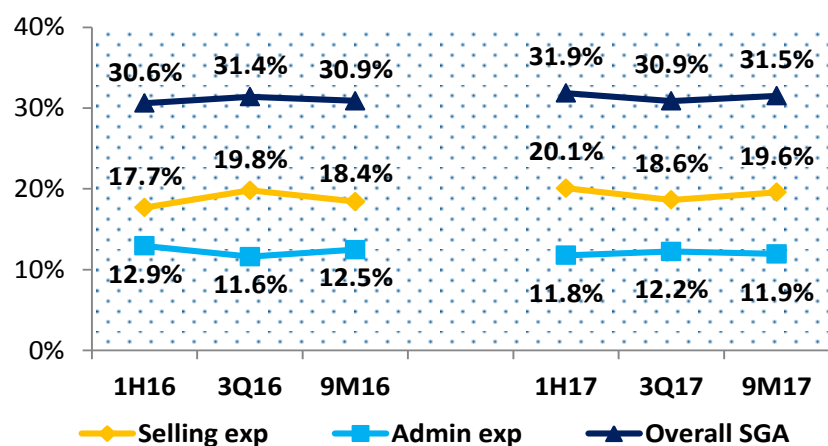
Maxxcare™ distribution business gross margin was 23.3% in 3Q17 compared to 23% in 1H17 and 19.2% in 3Q16. Gross profit in 3Q17 was THB 243.6mn, an increase of THB 36.3mn or 17.5% YoY mainly arising out of better gross margins driven by change in principal and service mix. 9M17 gross margins came in at 23.1% compared to 21.1% in 9M16.

OEM Business Gross Profit

OEM business gross margin was 24.4% in 3Q17 compared to 24.7% in 3Q16. Gross profit in 3Q17 was THB 27.6mn, an increase of THB 0.8mn over 3Q16. 9M17 gross margins came in at 27.3% compared to 19.4% in 9M16.

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

SG&A as a (%) to operating revenue



FY17 SG&A expected to be in the range of 31% to 32% of operating revenue

SG&A expense was 30.9% of operating revenue in 3Q17 as compared to 31.4% in 3Q16. In absolute terms SG&A expense in 3Q17 was THB 743.4mn compared to THB 683.4mn in 3Q16, representing a growth of 8.8% YoY. SG&A expense in 9M17 was 31.5% of operating revenue compared to 30.9% in 9M16.

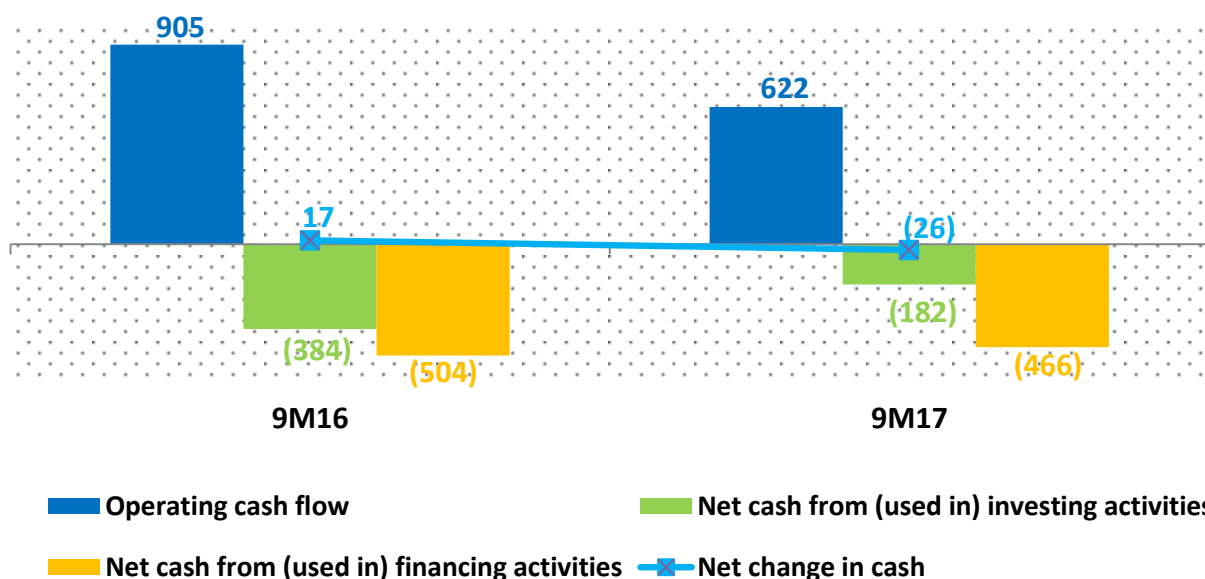
Apart from relatively higher spending in 3Q17 compared to 3Q16; Bio-life inclusion contributed to increase in SG&A expenses. We expect SG&A expenses for FY17 to be in the range of 31% to 32% of operating revenue.

4. Consolidated Net Profit

Net profit in 3Q17 was THB 246mn, up 46.6% YoY and THB 728.4mn in 9M17, up by 45.7% YoY. Increase in net profits was mainly a result of growth in Mega We Care revenue and stable segmental gross margins.

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 622.5mn of cash in 9M17 compared to THB 904.9mn in 9M16. While cash cycle remained steady; growth in business led increase in working capital.

Core working capital

	Dec'16	Sep'17	
Average receivable days	92	81	Cash cycle days improved to 116 days in Sep'17 from 121 day in Dec'16. Reduction in receivable and inventory days was partially offset by reduction in payable days.
Average inventory days	139	136	
Average payable days	110	101	
Cash cycle (days)	121	116	

Investing Activities

Net cash outflow from investing activities was THB 182mn in 9M17 mainly arising from investment of THB 128.1mn towards construction of state-of-art warehouse and office space in Myanmar and for improvement and maintenance capex.

Capex plan:

As part of MEGA's plan to construct its own state-of-art warehouse and office space on leased land in Myanmar on which work has already started; an approximate outlay of THB 400mn may be spent over 2 years.

MEGA is constructing a warehouse for storing raw material and finished goods and rebuild product development and quality control center on the newly acquired land in Thailand next to our current manufacturing facility. This would have an estimated outlay of THB 350mn to be spent over 2 years.

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

Financing Activities

In 9M17, net cash outflow from financing activities was THB 466.5mn, mainly arising from dividend payouts during the year.

6. Balance Sheet**Current Assets**

Cash and bank balance (including cash and cash equivalents and term deposits with bank) was THB 1,157.4mn as at 30 September 2017, a decrease of THB 59.4mn from 31 December 2016.

Trade receivables were THB 2,204.4mn as at 30 September 2017, a decrease of THB 28.7mn compared to THB 2,233mn as at 31 December 2016. Inventories increased by THB 380.7mn over 31 December 2016 level in line with business needs.

As at 30 September 2017, Current ratio was at 1.8 times.

Non-current Assets

Non-current assets were THB 2,302.3mn as at 30 September 2017, higher by THB 50.2mn or 2.2% from 31 December 2016. The increase was mainly a result of investments in property, plant and equipment's during the year.

Current Liabilities

Current liabilities were THB 3,338.8mn as at 30 September 2017, an increase of THB 185.9mn or 5.9% compared to 31 December 2016.

Trade payables were THB 1,559.9mn as at 30 September 2017, an increase of THB 41.2mn from 31 December 2016.

Non-current Liabilities

Non-current liabilities were THB 109mn as at 30 September 2017, remained mostly unchanged compared to 31 December 2016 level.

As at 30 September 2017, net-debt to equity ratio was (0.10) times, while debt to equity ratio was 0.71 times.

Shareholders' Equity

Shareholders' equity was THB 4,878.8mn as at 30 September 2017, an increase of THB 199mn compared to 31 December 2016, mainly driven by 9M17 net profits and dividend payout during the year.

Consolidated Balance Sheet

<i>Figures in THB mn</i>	30-Sep-17		31-Dec-16		Change	
	Amount	%	Amount	%	Amount	%
Current Assets						
Cash and bank balances ⁴	1,157.4	13.9%	1,216.8	15.3%	(59.4)	(4.9%)
Trade accounts receivable	2,204.4	26.5%	2,233.0	28.1%	(28.7)	(1.3%)
Inventories	2,269.6	27.3%	1,888.9	23.8%	380.7	20.2%
Other current assets	393.1	4.7%	350.2	4.4%	42.9	12.2%
Total Current Assets	6,024.4	72.4%	5,688.9	71.6%	335.5	5.9%
Non-Current Assets						
Property, plant and equipment	1,193.3	14.3%	1,151.8	14.5%	41.5	3.6%
Intangible assets	724.5	8.7%	736.1	9.3%	(11.6)	(1.6%)
Deferred tax asset	82.7	1.0%	88.1	1.1%	(5.4)	(6.1%)
Other non-current assets	301.8	3.6%	276.1	3.5%	25.7	9.3%
Total Non-Current Assets	2,302.3	27.6%	2,252.1	28.4%	50.2	2.2%
Total Assets	8,326.7	100.0%	7,941.0	100.0%	385.7	4.9%
Current Liabilities						
Bank overdrafts & short-term Loans	666.6	8.0%	654.2	8.2%	12.5	1.9%
Trade accounts payable	1,559.9	18.7%	1,518.6	19.1%	41.2	2.7%
Other payables	498.0	6.0%	371.6	4.7%	126.4	34.0%
Current portion of long-term loans	-	0.0%	-	0.0%	-	
Current portion of finance Lease liability	8.4	0.1%	8.9	0.1%	(0.6)	(6.3%)
Income tax payable	69.7	0.8%	70.4	0.9%	(0.7)	(0.9%)
Accrued expenses	536.2	6.4%	529.3	6.7%	6.9	1.3%
Total Current Liabilities	3,338.8	40.1%	3,152.9	39.7%	185.9	5.9%
Non-Current Liabilities						
Long-term loans	-	0.0%	-	0.0%	-	
Finance lease liabilities	-	0.0%	6.6	0.1%	(6.6)	(100%)
Deferred tax liability	0.5	0.0%	0.9	0.0%	(0.4)	(40.8%)
Employees benefits obligation	108.5	1.3%	98.0	1.2%	10.5	10.7%
Other non-current liabilities	0.0	0.0%	2.7	0.0%	(2.7)	(99.4%)
Total Non-Current Liabilities	109.0	1.3%	108.3	1.4%	0.8	0.7%
Total Liabilities	3,447.8	41.4%	3,261.2	41.1%	186.6	5.7%
Equity						
Issued and paid-up share capital	432.6	5.2%	432.6	5.4%	-	0.0%
Premium on ordinary shares	2,138.1	25.7%	2,138.1	26.9%	-	0.0%
Retained earnings:						
Appropriated	118.2	1.4%	108.3	1.4%	9.9	9.1%
Unappropriated	2,487.5	29.9%	2,226.3	28.0%	261.1	11.7%
Other components of equity	(297.6)	(3.6%)	(225.5)	-2.8%	(72.0)	31.9%
Owners Equity	4,878.8	58.6%	4,679.8	58.9%	199.0	4.3%
Non-controlling interests	0.0	0.0%	0.0	0.0%	0.0	391.1%
Total Equity	4,878.9	58.6%	4,679.8	58.9%	199.0	4.3%
Total Liabilities and Equity	8,326.7	100.0%	7,941.0	100.0%	385.7	4.9%

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>	3Q16	2Q17	3Q17	YoY Gr.	9M16	9M17	YoY Gr.
Operating Revenue	2,175.6	2,395.4	2,407.1	10.6%	6,214.7	6,898.5	11.0%
Other income	8.7	8.6	10.3	18.8%	24.7	28.3	14.5%
Total Income	2,184.3	2,404.0	2,417.4	10.7%	6,239.4	6,926.8	11.0%
Cost of goods sold	1,280.4	1,314.5	1,327.2	3.7%	3,634.1	3,840.2	5.7%
Gross profits	895.2	1,080.9	1,079.9	20.6%	2,580.6	3,058.3	18.5%
<i>Gross margin (%)</i>	41.1%	45.1%	44.9%		41.5%	44.3%	
Selling expense	431.2	465.2	448.6	4.0%	1,145.3	1,350.5	17.9%
Administrative expense	252.3	277.0	294.8	16.8%	774.6	823.8	6.4%
Selling & Administrative exp (SGA)	683.4	742.2	743.4	8.8%	1,919.9	2,174.3	13.2%
<i>SGA (% to operating revenue)</i>	31.4%	31.0%	30.9%		30.9%	31.5%	
Net foreign exchange loss/(gain)	19.9	17.5	55.2		81.8	47.0	
EBITDA	237.3	367.4	329.4	38.8%	714.9	980.0	37.1%
<i>% of EBITDA to operating revenue</i>	10.9%	15.3%	13.7%		11.5%	14.2%	
Depreciation & Amortization	36.8	37.6	37.8	2.6%	111.3	114.7	3.0%
Earning before interest & tax (EBIT)	200.5	329.8	291.6	45.5%	603.5	865.3	43.4%
Finance cost	6.8	6.7	5.9	(14.0%)	14.7	19.8	34.6%
Share of profit/(loss) from JV	-	(0.4)	(0.9)		-	(1.4)	
Profit before tax	193.7	322.7	284.9	47.1%	588.8	844.1	43.4%
Tax expense	25.8	32.1	38.9	50.4%	88.8	115.7	30.2%
Net Profit	167.9	290.6	246.0	46.6%	499.9	728.4	45.7%
<i>% of Net profit to operating revenue</i>	7.7%	12.1%	10.2%		8.0%	10.6%	
Basic earning per share	0.19	0.34	0.28	46.6%	0.58	0.84	45.7%

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.