

Management Discussion & Analysis – Q3 & 9m 2013

Quarter 3 & 9 months 2013 Operating Performance

Revenue growth in line with expectations

- Q3 13 overall revenue was THB 1,777.1 mn, an increase of THB 239.8 mn (+15.6%) as compared to Q3 12. 9m 13 overall revenue was THB 5,070.6 mn, an increase of THB 811.1 mn (+19.0%) as compared to 9m 12
- Q3 13 brands revenue increased by THB 154 mn (+21.9%) as compared to Q3 12 and by THB 520 mn (+27.0 %) in 9m 13 compared to 9m 12; distribution business accounting for the rest.
- Indochina¹ contributed 79% of the total revenue of 9m 13
1. Thailand, Myanmar, Vietnam & Cambodia

Solid & Stable Gross margins

- Our gross profit held steady at 42% accounting for THB 748 .9 mn in Q3 13 and THB 2,149.8 mn in 9m 13. Going ahead Gross Profit margin is expected to gradually improve with the Australian plant's normalized functioning in H2 13
- OEM business in Australia effected the gross profits due to temporary suspension of production owing to relocation of the manufacturing plant

Net profits in line with expectations

- Net profit in Q3 2013 was THB 153.9 mn (8.6% of rev) and for 9m 13 was THB 448.4 mn (8.8% of rev)
- With gross profit margins remaining solid, Australian plant resuming operations, SG&A expenses holding steady at 32.0% and more than 50% of annual revenue normally being realized in the second half historically; the company expects profits for the year to be more or less in line with past trends, on a normalized basis.

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Income Statement

<i>Figures in THB mn</i>	Q3 12	Q3 13	% Gr.	9m 12	9m 13	% Gr.
Sales & Service income	1,537.3	1,777.1	15.6%	4,259.5	5,070.6	19.0%
Other income	26.4	8.2	(69.1%)	48.5	33.5	(31.0%)
Total Income	1,563.7	1,785.3	14.2%	4,308.0	5,104.1	18.5%
Cost of goods sold	872.9	1,028.3	17.8%	2,368.6	2,920.8	23.3%
Gross Profit (GP)	664.4	748.9	12.7%	1,890.9	2,149.8	13.7%
% GP to sales & service income	43.2%	42.1%		44.4%	42.4%	
Selling expense	295.3	336.0	13.8%	762.6	975.0	27.9%
Admin expense	239.1	222.4	(7.0%)	647.3	645.3	(0.3%)
Selling & Admin exp (SGA)	534.4	558.4	4.5%	1,409.9	1,620.4	14.9%
% SGA to Sales & service income	34.8%	31.4%		33.1%	32.0%	
EBIT	156.4	198.6	27.0%	529.5	562.9	6.3%
Dep. & Amort.	21.2	24.1	13.9%	57.7	71.7	24.2%
EBIDTA	177.6	222.8	25.4%	587.2	634.7	8.1%
% EBIDTA to Sales & service income	11.6%	12.5%		13.8%	12.5%	
Finance cost	6.1	8.6	42.4%	17.5	23.6	35.0%
Ptprofit before tax	150.4	190.0	26.4%	512.1	539.4	5.3%
Income tax expense	(22.0)	(36)	64.4%	(79.3)	(90.9)	14.7%
Profit after tax	128.4	153.9	19.9%	432.8	448.4	3.6%

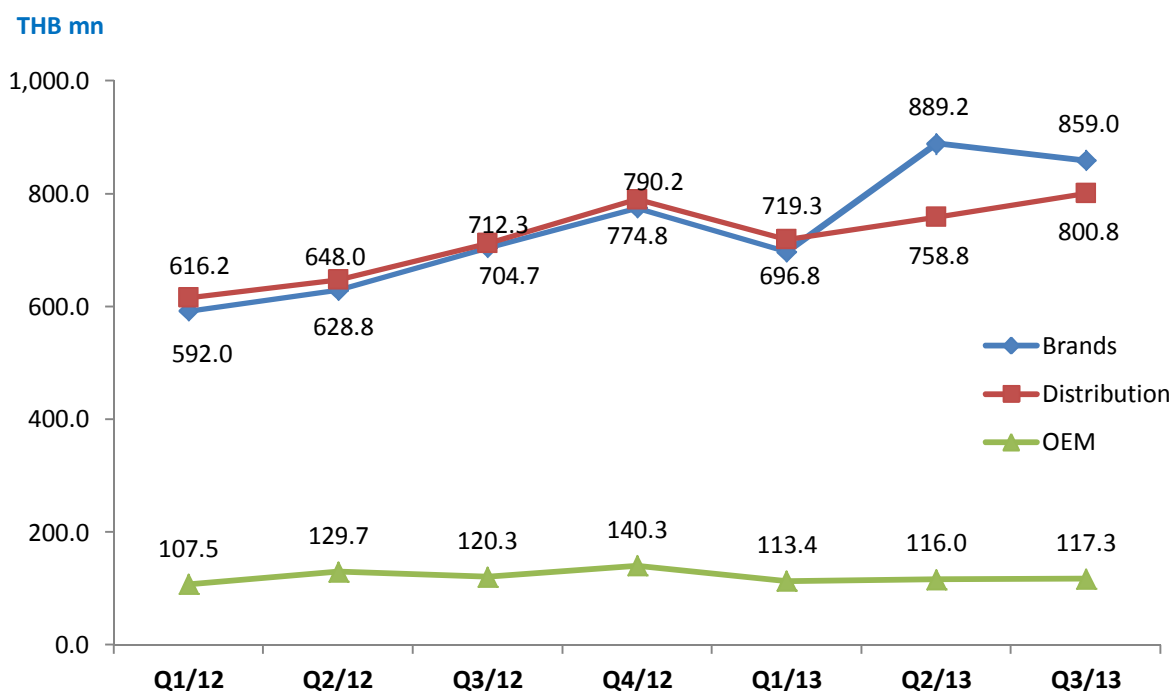
Revenue by segments

<i>Figures in THB mn</i>	Q3 12	Q3 13	% Gr.	9m 12	9m 13	% Gr.
Brands	704.7	859.0	21.9%	1,925.6	2,445.1	27.0%
Distribution	712.3	800.8	12.4%	1,976.5	2,278.9	15.3%
OEM	120.3	117.3	(2.5%)	357.5	346.6	(3.0%)
Overall Segments	1,537.3	1,777.1	15.6%	4,259.5	5,070.6	19.0%

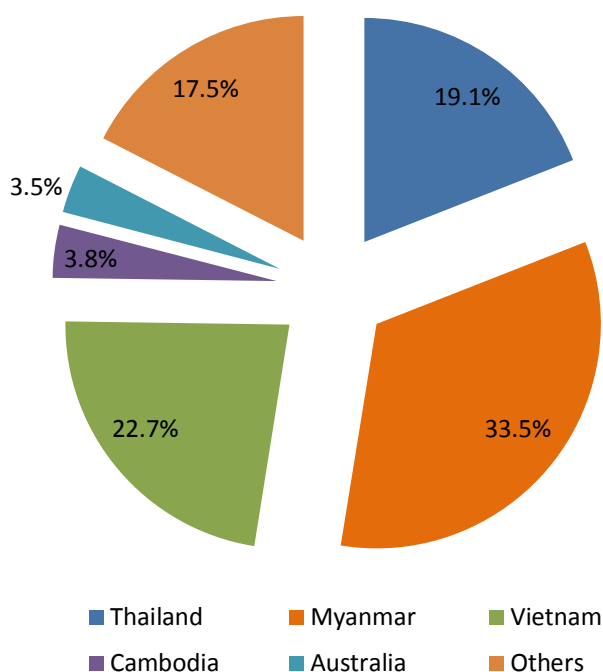
- Brands revenue was THB 859.0 mn in Q3 13 (increased by 21.9%) compared with Q3 12 and for 9m 13 brand revenue was THB 2,445.1 mn (increased by 27.0%) compared with 9m 12. Thailand continues to be the largest market for brands contributing 35.2% of overall brand revenue in 9m 2013 followed by Vietnam of 19.2% & Myanmar of 10.0%.
- Distribution revenue was 800.8 mn in Q3 13 (increased by 12.4%) compared with Q3 12 and for 9m 13 distribution revenue was THB 2,278.9 mn (increased by 15.3%) compared with 9m 13. Myanmar was the growth driver for distribution business

Management Discussion & Analysis – Q3 & 9m 2013

Segment Revenue - Last 7 quarters



Business in top 5 countries (Base 9m 2013)



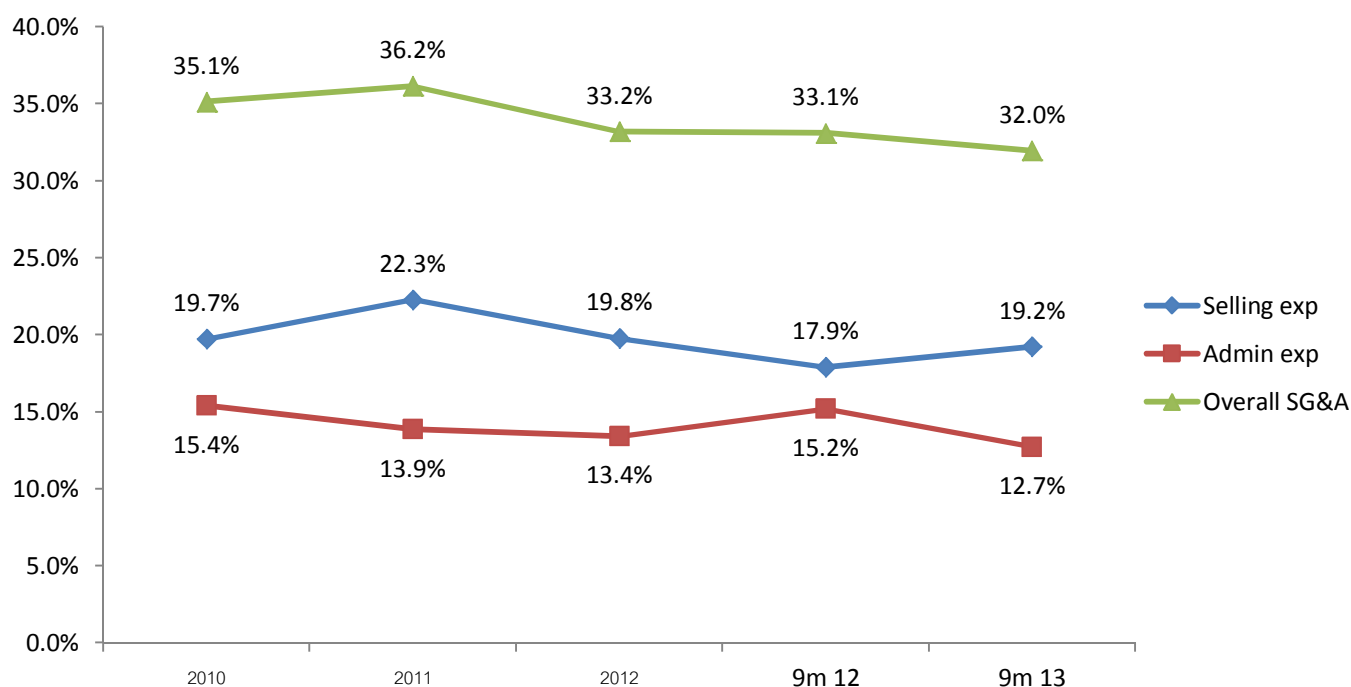
- Myanmar is the largest revenue contributor to Company's total revenue. In Myanmar, distribution business constitutes 85.5% of Myanmar's total revenue. Overall revenue growth for the country was 31.0% in 9m 13 compared to 9m 12
- Vietnam is the second largest revenue contributor to Company's total revenue. In Vietnam, distribution business constitutes 59.3% of its total revenue. Overall revenue growth for the country was 7.3% in 9m 13 compared to 9m 12
- Thailand is third in terms of revenue contribution to the Company's total revenue. It has only brand business which has grown by 23.1% in 9m 13 compared to 9m 12

Management Discussion & Analysis – Q3 & 9m 2013

Cost of goods Sold (COGS)

COGS was THB 1,028.3 mn in Q3 13 (57.9% of rev.) as compared to THB 872.9 mn (56.8% of rev) in Q3 12. For 9m 13 COGS was 2,920.8, (57.6% of rev.) as compared to THB 2,368.6 mn (55.6% of rev) in 9m 12 .Increase in COGS was influenced by overheads cost in Australia due to temporary suspension of production owing to relocation of the manufacturing plant in H1 13 & due to change in business model for one of our principals in Myanmar (as disclosed in prospectus).

Selling & Admin expenses (SG&A)



SG & A expenses

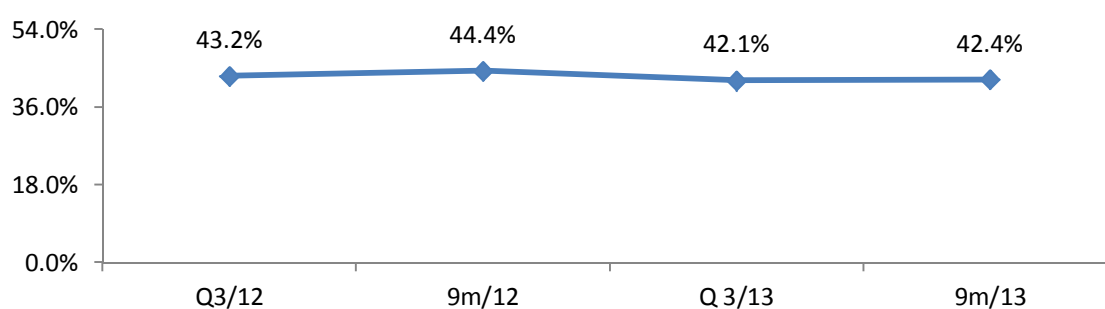
Our SG&A cost as a % to sales expected to hold steady at 32.0% for the year.

Management Discussion & Analysis – Q3 & 9m 2013

Solid & Stable Gross margins & Net Profits

- Our gross profit in Q3 2013 was THB 748.9 mn (42.1% of rev) and for 9m 13, our gross profit was THB 2,149.8 mn (42.4% of rev). Going ahead gross profit margin is expected to improve gradually with the Australian plant's normalized functioning in H2 13
- Net profit in Q3 2013 was THB 153.9 mn (8.6% of rev) and for 9m 13 was THB 448.4 mn (8.8% of rev). With gross profit margins remaining solid, Australian plant resuming operations, SG&A expenses holding steady at 32.0% and more than 50% of annual revenue normally being realized in the second half historically; the Company expects profits for the year to be more or less in line with past trends, on a normalized basis.

Gross Margin % to Sales



Commentary on financial position (Please see the statement after the commentary)

	2010	2011	2012	6m 2013	9 m 2013
Average receivable days	83.4	85.8	77.3	73.0	73.2
Average Inventory days	123.6	112.5	126.8	145.6	146.3
Average payable days	94.6	89.5	84.1	79.2	85.3
Cash cycle (days)	112.6	108.8	120.0	139.4	134.2

Increase in inventory in 2013 was mainly due to change in business model for one of our principal in Myanmar; this change in business model has already been disclosed in prospectus.

Cash & Cash equivalents as at 30 Sep 13 were stable at THB 352.1 mn against THB 353.8 mn as at 31 Dec 12.

The Company invested THB 285.1 mn in fixed assets in 9 m 13 out of which THB 203.6 mn was spent towards capacity expansion in Thailand manufacturing facility.

Eugica Brand which was acquired from DHG Pharmaceutical Joint Stock Company of Vietnam at a cost of THB 185.4 mn was capitalized on 09 July 2013 owing to the completion of regulatory documentation.

Management Discussion & Analysis – Q3 & 9m 2013

<i>Figures in THB mn</i>	31-Dec-12		30-Sep-13		Change	
	Amount	%	Amount	%	Amount	%
Current assets						
Cash and cash equivalents	353.8	8.6%	352.1	6.8%	(1.7)	(0.5%)
Trade accounts receivable	1,176.6	28.5%	1,574.0	30.6%	397.5	33.8%
Inventories	1,442.0	34.9%	1,723.1	33.5%	281.1	19.5%
Other current assets	198.0	4.8%	242.3	4.7%	44.3	22.4%
Total Current Assets	3,170.4	76.7%	3,891.6	75.6%	721.2	22.7%
Non-Current Assets						
Prepayment for trademark	185.4	4.5%	-	0.0%	(185.4)	(100.0%)
Restricted deposits - Banks	17.6	0.4%	10.6	0.2%	(7.0)	(39.6%)
Property, plant and equipment	731.8	17.7%	921.3	17.9%	189.4	25.9%
Intangible assets	8.9	0.2%	209.5	4.1%	200.6	2247.0%
Deferred tax asset	-	0.0%	90.2	1.8%	90.2	
Other non-current assets	21.1	0.5%	24.5	0.5%	3.4	16.1%
Total Non-Current Assets	964.9	23.3%	1,256.1	24.4%	291.3	30.2%
Total Assets	4,135.3	100.0%	5,147.7	100.0%	1,012.4	24.5%
Current Liabilities						
Bank overdrafts & short-term Loans	771.2	18.6%	1,104.3	21.5%	333.1	43.2%
Trade accounts payable	768.9	18.6%	1,076.3	20.9%	307.4	40.0%
Other payables	80.9	2.0%	177.0	3.4%	96.1	118.9%
Current portion of long-term loans	79.8	1.9%	117.2	2.3%	37.4	46.9%
Current portion of finance Lease liability	0.5	0.0%	0.2	0.0%	(0.3)	(51.9%)
Income tax payable	89.9	2.2%	21.0	0.4%	(68.9)	(76.6%)
Accrued expenses	300.3	7.3%	324.4	6.3%	24.1	8.0%
Total Current Liabilities	2,091.4	50.6%	2,820.4	54.8%	728.9	34.9%
Non-Current Liabilities						
Long-term loans	346.5	8.4%	392.4	7.6%	45.9	13.2%
Finance lease liabilities	0.3	0.0%	0.5	0.0%	0.2	53.6%
Deferred tax liability	-	0.0%	0.9	0.0%	0.9	
Employees benefits obligation	68.6	1.7%	77.4	1.5%	8.8	12.8%
Other non-current liabilities	2.2	0.1%	2.2	0.0%	0.0	1.5%
Total Non-Current Liabilities	417.6	10.1%	473.4	9.2%	55.8	13.4%
Total Liabilities	2,509.0	60.7%	3,293.7	64.0%	784.7	31.3%
Equity						
Issued and paid-up share capital	67.1	1.6%	367.7	7.1%	300.7	448.4%
Retained earnings					-	
Legal reserve	13.1	0.3%	36.2	0.7%	23.1	175.9%
Unappropriated	1,659.7	40.1%	1,622.4	31.5%	(37.3)	(2.2%)
Other components of equity	(137.1)	-3.3%	(172.4)	-3.3%	(35.4)	25.8%
Equity attributable to owners						
Owners Equity	1,602.9	38.8%	1,853.9	36.0%	251.1	15.7%
Non-controlling interests	23.4	0.6%	0.0	0.0%	(23.4)	(99.9%)
Total Equity	1,626.2	39.3%	1,854.0	36.0%	227.7	14.0%
Total Liabilities and Equity	4,135.3	100.0%	5,147.7	100.0%	1,012.4	24.5%

About the Company

We are a leading international manufacturer and distributor of pharmaceutical, nutraceutical products and fast moving consumer goods headquartered in Bangkok, Thailand. Currently, we are a leading distributor in developing countries with high growth trends such as Myanmar, Vietnam and Cambodia. In addition, we develop, manufacture, market and sell our own market leading brands of nutraceutical products, generic prescription pharmaceutical products, and OTC products under our Mega We care Trade Mark brand through our distribution network and third party distributors in countries across the world. As of December 31, 2012, our Mega We Care Trade Mark branded Products were being sold in a total of 29 countries around the world.