

**Mega Lifesciences Public Company Limited
and its Subsidiaries**

Interim financial statements
for the three-month and six-month periods ended
30 June 2014

and

Independent auditor's report on
review of interim financial information

Independent Auditor's Report on Review of Interim Financial Information

To the Board of Directors of Mega Lifesciences Public Company Limited

I have reviewed the accompanying consolidated and separate statements of financial position of Mega Lifesciences Public Company Limited and its subsidiaries, and of Mega Lifesciences Public Company Limited, respectively, as at 30 June 2014; the consolidated and separate statements of comprehensive income for the three-month and six-month periods ended 30 June 2014, changes in equity and cash flows for the six-month period ended 30 June 2014; and condensed notes ("interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of Review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".

(Wilai Buranakittisophon)
Certified Public Accountant
Registration No. 3920

KPMG Phoomchai Audit Ltd.
Bangkok
13 August 2014

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
Assets	Note	30 June 2014 (Unaudited)	31 December 2013	30 June 2014 (Unaudited)	31 December 2013
<i>(in thousand Baht)</i>					
Current assets					
Cash and cash equivalents		1,300,262	1,540,309	1,016,612	1,119,123
Trade accounts receivable	3, 4	1,624,309	1,724,243	1,098,939	529,762
Short-term loan to related parties	3	-	-	300,000	400,000
Other receivables	3	233,948	174,012	68,698	56,193
Inventories		1,863,967	1,684,925	505,040	503,241
Advances to suppliers and distributors		115,422	101,804	30,476	29,956
Total current assets		5,137,908	5,225,293	3,019,765	2,638,275
Non-current assets					
Investments in subsidiaries	5	-	-	53,247	52,162
Restricted deposits at financial institutions		10,430	10,626	-	196
Property, plant and equipment	6	1,012,916	969,507	635,252	606,630
Intangible assets		221,322	213,016	188,332	188,751
Deferred tax assets	7	104,989	79,248	20,779	17,987
Other non-current assets		59,552	38,163	50,960	27,440
Total non-current assets		1,409,209	1,310,560	948,570	893,166
Total assets		6,547,117	6,535,853	3,968,335	3,531,441

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

	<i>Note</i>	Consolidated		Separate	
		financial statements		financial statements	
		30 June	31 December	30 June	31 December
Liabilities and equity		2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
		<i>(in thousand Baht)</i>			
<i>Current liabilities</i>					
Bank overdrafts and short-term loans from financial institutions		746,299	709,425	559,236	349,466
Trade accounts payable	3, 8	1,255,448	1,144,738	116,842	148,152
Other payables	3	117,110	201,759	44,479	42,397
Short-term loan from and interest payable to related parties	3	-	-	2,521	2,603
Current portion of long-term loans from financial institutions		74,220	75,019	43,552	44,020
Current portion of finance lease liabilities		238	247	69	47
Income tax payable		45,498	52,884	14,278	7,057
Accrued expenses		315,392	363,335	46,854	78,963
Total current liabilities		2,554,205	2,547,407	827,831	672,705
<i>Non-current liabilities</i>					
Long-term loans from financial institutions		172,491	211,799	108,546	131,666
Finance lease liabilities		280	435	110	196
Deferred tax liabilities	7	1,813	2,960	-	-
Employee benefit obligations		86,614	78,586	52,421	43,520
Other non-current liabilities		2,865	2,093	-	-
Total non-current liabilities		264,063	295,873	161,077	175,382
Total liabilities		2,818,268	2,843,280	988,908	848,087

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		30 June 2014 (Unaudited)	31 December 2013	30 June 2014 (Unaudited)	31 December 2013
<i>(in thousand Baht)</i>					
Liabilities and equity	<i>Note</i>				
Equity					
Share capital:					
Authorised share capital		436,951	436,951	436,951	436,951
Issued and paid-up share capital		432,624	432,624	432,624	432,624
Additional paid in capital:					
Premium on ordinary shares		2,138,104	2,138,104	2,138,104	2,138,104
Warrants	9	1,204	-	1,204	-
Retained earnings					
Appropriated					
Legal reserve		49,088	49,088	43,695	43,695
Corporate social responsibility reserve	10	3,000	-	3,000	-
Unappropriated		1,238,551	1,212,726	360,800	68,931
Other components of equity		-133,670	-139,981	-	-
Equity attributable to owners of the Company		3,728,901	3,692,561	2,979,427	2,683,354
Non-controlling interests		(52)	12	-	-
Total equity		3,728,849	3,692,573	2,979,427	2,683,354
Total liabilities and equity		6,547,117	6,535,853	3,968,335	3,531,441

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of comprehensive income (Unaudited)

	Note	Consolidated financial statements		Separate financial statements	
		Three-month period ended		Three-month period ended	
		30 June		30 June	
		2014	2013	2014	2013
<i>(in thousand Baht)</i>					
Income					
Revenue from sale of goods and rendering of services	11	1,958,753	1,764,007	540,274	382,985
Investment income		4,279	108	6,048	170,087
Net foreign exchange gain		-	13,768	100	-
Other income		6,020	4,626	2,081	2,682
Total income		1,969,052	1,782,509	548,503	555,754
Expenses					
Cost of sales of goods and rendering of services		1,205,152	1,006,482	354,610	239,283
Selling expenses		362,839	342,831	55,322	42,235
Administrative expenses		245,400	200,206	59,466	47,415
Net foreign exchange loss		2,478	-	-	2,150
Finance costs		4,539	7,594	3,177	4,920
Total expenses		1,820,408	1,557,113	472,575	336,003
Profit before income tax expense		148,644	225,396	75,928	219,751
Income tax expense	12	-19,576	-44,734	-783	-4,506
Profit for the period		129,068	180,662	75,145	215,245
Other comprehensive income					
Foreign currency translation differences for foreign operations		678	25,406	-	-
Other comprehensive income for the period		678	25,406	-	-
Total comprehensive income for the period		129,746	206,068	75,145	215,245
Profit attributable to:					
Owners of the Company		129,095	180,368	75,145	215,245
Non-controlling interests		-27	294	-	-
Profit for the period		129,068	180,662	75,145	215,245
Total comprehensive income attributable to:					
Owners of the Company		129,775	206,466	75,145	215,245
Non-controlling interests		-29	-398	-	-
Total comprehensive income for the period		129,746	206,068	75,145	215,245
Basic and diluted earnings per share (in Baht)	13	0.15	0.25	0.09	0.30

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries
Statement of comprehensive income (Unaudited)

	<i>Note</i>	Consolidated		Separate	
		financial statements		financial statements	
		Six-month period ended		Six-month period ended	
		30 June		30 June	
		2014	2013	2014	2013
<i>(in thousand Baht)</i>					
Income					
Revenue from sale of goods and rendering of services	11	3,664,004	3,293,468	1,062,851	763,255
Investment income		8,847	798	312,500	170,094
Net foreign exchange gain		-	10,497	-	7,460
Other income		10,516	13,997	4,464	5,935
Total income		3,683,367	3,318,760	1,379,815	946,744
Expenses					
Cost of sales of goods and rendering of services		2,247,130	1,892,504	679,213	496,340
Selling expenses		718,133	638,977	115,612	70,021
Administrative expenses		476,797	422,959	115,996	111,316
Net foreign exchange loss		22,578	-	1,464	-
Finance costs		9,377	14,951	6,256	9,293
Total expenses		3,474,015	2,969,391	918,541	686,970
Profit before income tax expense		209,352	349,369	461,274	259,774
Income tax expense	12	-23,743	-54,854	-6,100	-6,762
Profit for the period		185,609	294,515	455,174	253,012
Other comprehensive income					
Defined benefit plan actuarial losses		-822	-	-4,300	-
Foreign currency translation differences for foreign operations		6,311	-39,551	-	-
Other comprehensive income for the period		5,489	(39,551)	(4,300)	-
Total comprehensive income for the period		191,098	254,964	450,874	253,012
Profit attributable to:					
Owners of the Company		185,673	293,680	455,174	253,012
Non-controlling interests		-64	835	-	-
Profit for the period		185,609	294,515	455,174	253,012
Total comprehensive income attributable to:					
Owners of the Company		191,162	257,846	450,874	253,012
Non-controlling interests		-64	-2,882	-	-
Total comprehensive income for the period		191,098	254,964	450,874	253,012
Basic and diluted earnings per share (in Baht)	13	0.21	0.40	0.53	0.35

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

	Consolidated financial statements										
	Note	Issued and paid-up share capital	Reserve for stock dividends	Legal reserve	Retained earnings		Other component of equity		Total equity attributable to owners of the Company	Non-controlling interests	Total equity
					Unappropriated	Currency translation differences	Total other components of equity				
<i>(in thousand Baht)</i>											
Six-month period ended 30 June 2013											
Balance at 1 January 2013		67,056	-	13,114	1,743,899	(137,055)	(137,055)	1,687,014	23,382	1,710,396	
Transactions with owners, recorded directly in equity	<i>14</i>										
Dividends to owners of the Company		-	-	-	(234,514)	-	-	(234,514)	-	(234,514)	
Stock dividends to owners of the Company		-	300,000	-	(300,000)	-	-	-	-	-	
Total transactions with owners, recorded directly in equity		-	300,000	-	(534,514)	-	-	(234,514)	-	(234,514)	
Comprehensive income for the period											
Profit		-	-	-	293,680	-	-	293,680	835	294,515	
Other comprehensive income		-	-	-	-	(35,834)	(35,834)	(35,834)	(3,717)	(39,551)	
Total comprehensive income for the period		-	-	-	293,680	(35,834)	(35,834)	257,846	(2,882)	254,964	
Balance at 30 June 2013		67,056	300,000	13,114	1,503,065	(172,889)	(172,889)	1,710,346	20,500	1,730,846	

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries
Statement of changes in equity (Unaudited)

	Consolidated financial statements											
					Retained earnings			Other component of equity				Total equity
		Issued and paid-up share capital	Share premium	Warrants	Legal reserve	Corporate social responsibility reserve	Unappropriated	Currency translation differences	Total other components of equity	Equity attributable to owners of the Company	Non-controlling interests	
<i>Note</i>	<i>(in thousand Baht)</i>											
Six-month period ended 30 June 2014												
Balance at 1 January 2014		432,624	2,138,104	-	49,088	-	1,212,726	(139,981)	(139,981)	3,692,561	12	3,692,573
Transactions with owners, recorded directly in equity												
Dividends to owners of the Company	<i>14</i>	-	-	-	-	-	(156,026)	-	-	(156,026)	-	(156,026)
Share-based payment transactions	<i>9</i>	-	-	1,204	-	-	-	-	-	1,204	-	1,204
Total transactions with owners, recorded directly in equity		-	-	1,204	-	-	(156,026)	-	-	(154,822)	-	(154,822)
Comprehensive income for the period												
Profit		-	-	-	-	-	185,673	-	-	185,673	(64)	185,609
Other comprehensive income		-	-	-	-	-	(822)	6,311	6,311	5,489	-	5,489
Total comprehensive income for the period		-	-	-	-	-	184,851	6,311	6,311	191,162	(64)	191,098
Transfer to corporate social responsibility reserve	<i>10</i>	-	-	-	-	3,000	(3,000)	-	-	-	-	-
Balance at 30 June 2014		432,624	2,138,104	1,204	49,088	3,000	1,238,551	(133,670)	(133,670)	3,728,901	(52)	3,728,849

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

	Note	Issued and paid-up share capital	Reserve for stock dividends	Separate financial statements		Total equity
				Legal reserve	Unappropriated	
				Retained earnings		
<i>(in thousand Baht)</i>						
Six-month period ended 30 June 2013						
Balance at 1 January 2013		67,056	-	7,721	468,204	542,981
Transactions with owners, recorded directly in equity	<i>14</i>					
Dividends to owners of the Company		-	-	-	-234,502	(234,502)
Stock dividends to owners of the Company		-	300,000	-	(300,000)	-
Total transactions with owners, recorded directly in equity		-	300,000	-	(534,502)	(234,502)
Comprehensive income for the period						
Profit		-	-	-	253,012	253,012
Total comprehensive income for the period		-	-	-	253,012	253,012
Balance at 30 June 2013		67,056	300,000	7,721	186,714	561,491

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

	Note	Separate financial statements						Total equity
		Issued and paid-up share capital	Share premium	Warrants	Retained earnings			
					Legal reserve <i>(in thousand Baht)</i>	Corporate social responsibility reserve	Unappropriated	
Six-month period ended 30 June 2014								
Balance at 1 January 2014		432,624	2,138,104	-	43,695	-	68,931	2,683,354
Transactions with owners, recorded directly in equity								
Dividends to owners of the Company	14	-	-	-	-	-	(156,005)	(156,005)
Share-based payment transactions	9	-	-	1,204	-	-	-	1,204
Total transactions with owners, recorded directly in equity		-	-	1,204	-	-	(156,005)	(154,801)
Comprehensive income for the period								
Profit		-	-	-	-	-	455,174	455,174
Other comprehensive income		-	-	-	-	-	(4,300)	(4,300)
Total comprehensive income for the period		-	-	-	-	-	450,874	450,874
Transfer to corporate social responsibility reserve	10	-	-	-	-	3,000	(3,000)	-
Balance at 30 June 2014		432,624	2,138,104	1,204	43,695	3,000	360,800	2,979,427

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of cash flows (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
	Six-month period ended		Six-month period ended	
	30 June		30 June	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit for the period	185,609	294,515	455,174	253,012
<i>Adjustments for</i>				
Depreciation	62,527	45,944	32,914	21,924
Amortisation of intangible assets	2,600	1,624	420	410
Allowance (reversal) on decline in value of inventories	7,852	2,562	721	(3,623)
Investment income	(8,847)	(798)	(312,500)	(170,094)
Finance costs	9,377	14,951	6,256	9,293
Allowance for doubtful accounts	1,649	1,576	-	-
Unrealised (gain) loss on exchange rate	34,473	(2,984)	7,594	(1,085)
Gain on disposal of property, plant and equipment	(1,385)	(470)	-	-
Employee benefit obligations	7,878	6,726	4,601	3,350
Share-based payment transactions	1,204	-	119	-
Income tax expense	23,743	54,854	6,100	6,762
	<u>326,680</u>	<u>418,500</u>	<u>201,399</u>	<u>119,949</u>
<i>Changes in operating assets and liabilities</i>				
Trade accounts receivable	-58	-134,908	-588,989	66,336
Other receivables	-53,913	-75,794	-22,725	-32,184
Inventories	-187,326	-181,596	-2,519	-97,911
Advances to suppliers and distributors	-13,289	-966	-190	5,100
Restricted deposits at financial institutions	196	7,088	196	(7)
Other non-current assets	-20,677	10,263	(23,520)	-
Trade accounts payable	143,769	103,816	-30,532	-69,370
Other payables	-84,290	-28,091	12,197	(24,504)
Accrued expenses	-45,867	34,417	(32,109)	24,074
Employee benefit obligations paid	(1,219)	-	-	-
Cash generated from (used in) operating activities	64,006	152,729	(486,792)	(8,517)
Income tax paid	-57,884	-97,170	-1,671	-10,442
Net cash from (used in) operating activities	<u>6,122</u>	<u>55,559</u>	<u>-488,463</u>	<u>-18,959</u>

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of cash flows (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
	Six-month period ended 30 June		Six-month period ended 30 June	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>				
Interest received	8,277	817	12,151	7
Dividend received	-	-	300,000	170,087
Purchase of property, plant and equipment	(97,050)	(197,585)	(61,536)	(138,316)
Purchase of intangible assets	(10,733)	(14,183)	-	-
Sale of equipment	1,647	658	-	-
Net cash from (used in) investing activities	(97,859)	(210,293)	250,615	31,778
<i>Cash flows from financing activities</i>				
Interest paid	(9,612)	(15,018)	(6,465)	(9,033)
Dividends paid	(156,026)	(201,181)	(156,005)	(201,169)
Finance lease payments	(164)	(318)	(64)	(34)
Increase in bank overdrafts and short-term loans from financial institutions	55,197	278,729	221,460	136,649
Increase in short-term loan to related parties	-	-	100,000	-
Proceeds from borrowings	-	82,857	-	82,857
Repayment of borrowings	(38,369)	(13,839)	(23,589)	(9,013)
Net cash from (used in) financing activities	(148,974)	131,230	135,337	257
Net increase (decrease) in cash and cash equivalents	(240,711)	(23,504)	(102,511)	13,076
Cash and cash equivalents at 1 January	1,540,309	353,786	1,119,123	3,465
Effect of exchange rate changes on balances held in foreign currency	664	945	-	-
Cash and cash equivalents at 30 June	1,300,262	331,227	1,016,612	16,541

The accompanying notes are an integral part of these financial statements.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

Note	Contents
1	General information
2	Basis of preparation of the interim financial statements
3	Related parties
4	Trade accounts receivable
5	Investments in subsidiaries
6	Property, plant and equipment
7	Deferred tax
8	Trade accounts payable
9	Warrants
10	Corporate social responsibility reserve
11	Segment information
12	Income tax expense
13	Earnings per share
14	Dividends
15	Commitments and contingent liabilities with non-related parties
16	Events after the reporting date

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

These notes form an integral part of the interim financial statements.

The interim financial statements issued for Thai regulatory reporting purposes are prepared in the Thai language. These English language financial statements have been prepared from the Thai language statutory financial statements, and were approved and authorised for issue by the Board of Directors on 13 August 2014.

1 General information

Mega Lifesciences Public Company Limited, “the Company”, is incorporated in Thailand and has its registered office at No. 384, Moo 4, Bangpoo Industrial Estate, Praksa, Muang - Samutprakarn, Samutprakarn, Thailand.

The Company has representative offices in Vietnam, Uganda, Ukraine and representative offices under Mega Lifesciences PTY Limited, a subsidiary, in Sri Lanka, Vietnam, Myanmar, Indonesia, Uzbekistan, Ukraine, Malaysia, Philippines, Kenya, India, Russia and Kazakhstan.

The immediate and ultimate holding company during the financial period was Unistretch Limited, which is incorporated in Thailand.

The Company was listed on the Stock Exchange of Thailand on 19 November 2013.

The principal activities of the Group are the manufacture and sale through independent distributors of health food supplements, branded prescription pharmaceutical products, over-the-counter products, herbal products, vitamins and fast moving consumer goods as well as the provision of distribution services relating to such products.

Currently, the Group is a leading distributor in developing countries with high growth trends such as Myanmar, Vietnam, and Cambodia. Details of the Company’s subsidiaries as at 30 June 2014 are given in notes 3 and 5.

2 Basis of preparation of the interim financial statements

(a) Statement of compliance

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2012) *Interim Financial Reporting*; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2013. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiaries for the year ended 31 December 2013.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2013 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2014. The adoption of these new and revised TFRS did not have any material effect on the accounting policies, methods of computation, financial performance or position of the Group or the Company.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

(b) Functional and presentation currency

The interim financial statements are presented in Thai Baht, which is the Company's functional currency. All financial information presented in Thai Baht has been rounded to the nearest thousand unless otherwise stated.

(c) Use of estimates and judgements

The preparation of interim financial statements in conformity with TFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2013.

(d) Share-based payments

In the consolidated financial statements, the grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards.

In its separate financial statements the Company recognised the grant-date fair value of equity-settled share-based payment awards granted to its own employees as an expense, with a corresponding increase in equity, over the vesting period of the awards. The Company recognised the grant-date fair value of equity-settled share-based payment awards granted to employees of its subsidiaries as an increase of its investments in subsidiaries, with a corresponding increase in equity, over the vesting period of the awards.

The amount recognised as an expense or an investment is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met at the vesting date.

3 Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Relationships with subsidiaries are described in note 5. Relationships with key management and other related parties were as follows:

Name of entities	Country of incorporation/ nationality	Nature of relationships
Unistretch Limited	Thailand	Ultimate parent of the Group
Al-Mayoni For Trading Services Ltd.	Yemen	Common shareholders
Ambika Tours Agency Limited	Thailand	Common shareholders

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

Name of entities	Country of incorporation/ nationality	Nature of relationships
InsurExcellence Insurance Brokers Ltd.	Thailand	Common shareholders
Linaria Chemical (Thailand) Limited	Thailand	Common shareholders
Mechai Pattana School	Thailand	Common Chairman
SS-KS International (Canada) Inc.	Canada	Common Director
Rupin International (Canada) Inc.	Canada	Common Director
Key management personnel		Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Group.

The pricing policies for transactions with related parties are explained further below:

Transactions	Pricing policies
Sale of goods and rendering of service	Market price minus margin
Purchase of goods and raw materials	Cost plus margin
Interest income and interest expense	Agreed rates stipulated in the agreements
Other income and other expenses	Contractually agreed prices

Significant transactions for the three-month and six-month periods ended 30 June 2014 and 2013 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Three-month period ended 30 June				
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sale of goods and rendering of service	-	-	261,867	192,601
Purchase of goods or receiving of service	-	-	15,586	4,406
Commission expense	-	-	6,223	-
Interest expense	-	-	11	12
Interest income	-	-	1,890	-
Other income	-	-	203	145
Advertising expenses	-	-	6,704	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	18,433	28,437	4,164	5,298
Post-employment benefits	319	250	227	164
Expenses for employee stock option plan	24	-	24	-
Total key management personnel compensation	18,776	28,687	4,415	5,462
Directors' remuneration	1,860	1,860	1,860	1,860

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

	Consolidated		Separate	
	financial statements		financial statements	
<i>Three-month period ended 30 June</i>	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Other related parties				
Sale of goods	9,940	5,759	9,940	5,759
Purchase of goods or receiving of services	3,000	9,185	505	1,890
	Consolidated		Separate	
	financial statements		financial statements	
<i>Six-month period ended 30 June</i>	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sale of goods and rendering of service	-	-	516,607	450,643
Purchase of goods or receiving of service	-	-	18,426	6,558
Commission expense	-	-	10,958	-
Interest expense	-	-	21	24
Interest income	-	-	3,965	-
Other income	-	-	1,047	272
Advertising expenses	-	-	6,704	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	36,028	44,745	8,257	7,956
Post-employment benefits	617	432	433	295
Expenses for employee stock option plan	24	-	24	-
Total key management personnel compensation	36,669	45,177	8,714	8,251
Directors' remuneration	3,720	3,720	3,720	3,720
Other related parties				
Sale of goods	25,224	20,653	25,224	20,653
Purchase of goods or receiving of services	11,713	17,841	4,037	4,599
Commission income	-	808	-	-

Balances as at 30 June 2014 and 31 December 2013 with related parties were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
<i>Trade accounts receivable - related parties</i>	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	576,161	237,506
Other related parties	64,733	55,883	64,733	55,883
Total	64,733	55,883	640,894	293,389

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

<i>Other receivables - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	11,325	10,799
Other related parties	2,251	228	1,415	228
Total	2,251	228	12,740	11,027

<i>Short-term loans to related parties</i>	Interest rate	Consolidated		Separate	
		financial statements		financial statements	
		30	31	30	31
		June	December	June	December
		2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
<i>Short-term loan</i>	<i>(% per annum)</i>				
Subsidiary	1.75 1.75	-	-	300,000	400,000
Short-term loan to related parties		-	-	300,000	400,000

Movements during the six-month periods ended 30 June 2014 and 2013 of loans to related parties were as follows:

<i>Short-term loans to related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
<i>Six-month period ended 30 June</i>	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Subsidiary</i>				
At 1 January	-	-	400,000	-
Increase	-	-	300,000	-
Decrease	-	-	(400,000)	-
At 30 June	-	-	300,000	-

<i>Trade accounts payable - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	13,578	13,088
Other related parties	-	3,821	-	-
Total	-	3,821	13,578	13,088

<i>Other payables - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	33,263	9,813
Other related parties	532	275	-	-
Total	532	275	33,263	9,813

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

<i>Short-term loans from and interest payable to related parties</i>	Interest rate		Consolidated financial statements		Separate financial statements	
			30	31	30	31
			June	December	June	December
	2014	2013	2014	2013	2014	2013
	<i>(% per annum)</i>		<i>(in thousand Baht)</i>			
<i>Short-term loan</i>						
Subsidiary	1.70	2.00	-	-	2,521	2,603
Short-term loan from related parties			-	-	2,521	2,603

Movements during the six-month periods ended 30 June 2014 and 2013 of loans from related parties were as follows:

<i>Loan from and interest payable to related parties</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<i>Six-month period ended 30 June</i>				
	<i>(in thousand Baht)</i>			
<i>Short-term loan</i>				
Subsidiary				
At 1 January	-	-	2,603	2,555
Increase	-	-	21	24
Decrease	-	-	(103)	-
At 30 June	-	-	2,521	2,579

Significant agreements with related parties

As at 30 June 2014 the Group had the following significant agreements with related parties.

Commission agreement

The Company entered into a commission agreement with Mega Lifesciences (Australia) Pty. Limited, a subsidiary, whereas Mega Lifesciences (Australia) Pty. Limited grants the Company an exclusive right to market, sell and distribute product namely Nat-C either by itself or through third parties. The Company shall pay the commission at the rate of 15% of the sale value on a quarterly basis. This agreement is effective on 1 January 2014, and shall remain in force for one year. The agreement shall be automatically renewed after one year with such terms as the parties may agree.

Loan agreement

On 28 February 2014, the Company entered into a loan agreement with a subsidiary for an amount of Baht 300 million, with an interest rate which the Company pays to the bank in obtaining the loan and at the rate on fixed deposits in case of the Company's repayment to the bank in full. This loan is scheduled to be repaid in installments agreed to by the signing parties within 28 February 2015.

Supply agreement

The Company has supply agreements with Mega Lifesciences (Australia) Pty. Limited, a subsidiary, whereby the Company agrees to manufacture and supply the product as per required specification and as per Good Manufacturing Practice (GMP). These agreements are effective on the agreement date and shall be terminated by either party giving at least 30 days notice in writing to the other party.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

4 Trade accounts receivable

	Consolidated		Separate	
	financial statements		financial statements	
<i>Note</i>	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Related parties	3 64,733	55,883	640,894	293,389
Other parties	1,568,593	1,676,268	458,045	236,373
Total	1,633,326	1,732,151	1,098,939	529,762
Less allowance for doubtful accounts	(9,017)	(7,908)	-	-
Net	1,624,309	1,724,243	1,098,939	529,762
Bad and doubtful debts expense for the six-month period ended 30 June	1,649	1,576	-	-

Aging analyses for trade accounts receivable were as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	29,604	17,650	508,173	248,152
Overdue:				
Less than 3 months	15,502	9,559	103,161	14,970
3 - 6 months	-	14,883	4,483	16,151
6 - 12 months	19,627	13,791	25,077	14,116
	64,733	55,883	640,894	293,389
Other parties				
Within credit terms	965,035	982,844	268,063	119,450
Overdue:				
Less than 3 months	395,948	359,150	154,185	76,084
3 - 6 months	132,534	276,707	33,294	39,751
6 - 12 months	68,902	52,421	1,109	239
Over 12 months	6,174	5,146	1,394	849
	1,568,593	1,676,268	458,045	236,373
Less allowance for doubtful accounts	(9,017)	(7,908)	-	-
	1,559,576	1,668,360	458,045	236,373
Net	1,624,309	1,724,243	1,098,939	529,762

The normal credit term granted by the Group ranges from 30 days to 360 days.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

The aging is calculated by counting the age of trade accounts receivable from the day the Group sells products and issues an invoice to the local importers or distributors. However, revenue is not recognised until such local importers or distributors complete the sale of products to the end consumers. Consequently, there is a time lag between when the aging is commenced and when the sale is recorded in sales. This results in an apparent high level of overdue trade accounts receivable.

5 Investments in subsidiaries

	Separate financial statements	
	2014	2013
	<i>(in thousand Baht)</i>	
At 1 January	52,162	52,162
Increase	1,085	-
At 30 June	<u>53,247</u>	<u>52,162</u>
At 31 December		<u>52,162</u>

Additional investment in direct subsidiaries

Additional investments in subsidiaries of Baht 1.1 million was resulted from the investment contribution from issuing the warrants of the Company (see note 9).

Additional investment in indirect subsidiaries

During February 2014, Mega Lifesciences PTY Limited (a subsidiary) made an additional investment in the same percentage of interest of the issued and paid up capital of Mega Lifesciences (Vietnam) Limited, an indirect subsidiary of the Company, of Baht 45 million in order to expand the business capacity.

During April 2014, Mega Lifesciences PTY Limited (a subsidiary) made an additional investment in the same percentage of interest of the issued and paid up capital of Mega Lifesciences (Australia) Pty. Limited, an indirect subsidiary of the Company, of Baht 31.4 million in order to expand the business capacity.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

Investments in subsidiaries as at 30 June 2014 and 31 December 2013 and dividend income from those investments for the six-month periods ended 30 June 2014 and 2013 were as follows:

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013
<i>Direct subsidiaries</i>										
Mega Lifesciences PTY Limited	Branded products and distribution business	Thailand	99.99	99.99	50,000	50,000	51,081	49,996	300,000	170,088
Natural Health Foods Limited	Branded products business	Thailand	99.99	99.99	2,000	2,000	1,996	1,996	-	-
Mega We Care Limited	Branded products business	Thailand	99.96	99.96	170	170	170	170	-	-
Total							53,247	52,162	300,000	170,088
<i>Indirect subsidiaries (investment through Mega Lifesciences PTY Limited)</i>										
Mega Lifesciences (Australia) Pty. Limited	Branded and OEM products business	Australia	99.99	99.99	429,442	398,007	429,482	398,007	-	-
Mega Lifesciences (Vietnam) Limited	Branded products and distribution business	Vietnam	99.99	99.99	107,959	63,004	108,040	63,004	-	-
Mega Lifesciences Sdn.Bhd	Branded products business	Malaysia	99.99	99.99	17,214	17,214	17,238	17,214	-	-
PT Mega Lifesciences	Branded products business	Indonesia	98.99	98.99	15,163	15,163	15,012	15,012	-	-
Mega Lifesciences PTY Limited	Branded products and distribution business	Cambodia	99.99	99.99	15,281	15,281	15,341	15,281	-	-
Mega Lifesciences Nigeria Limited	Branded products and distribution business	Nigeria	99.99	99.99	14,885	14,885	14,940	14,885	-	-
Mega Lifesciences Ghana Limited	Branded products business	Ghana	99.99	99.99	9,469	9,469	9,481	9,469	-	-

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	30 June 2013
Mega Lifesciences Private Limited	Branded products business	India	99.99	99.99	4,777	4,777	4,825	4,777	-	-
Mega Lifesciences Limited	Distribution business	Myanmar	99.99	99.99	2,534	2,534	2,772	2,534	-	-
E-Sense Limited	Software design, development and other services business	Thailand	99.96	99.96	500	500	499	499	-	-
Mega Products (Mauritius) Limited	Distribution business	Mauritius	99.99	99.99	410	410	486	410	-	-
Mega Lifesciences Pte. Ltd.	Distribution business	Singapore	99.99	99.99	156	156	156	156	-	-
Mega Lifesciences PTY Peru S.A.C.	Branded products business	Peru	99.99	99.99	100	100	135	99	-	-
Total							618,407	541,347	-	-

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

6 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the six-month periods ended 30 June 2014 and 2013 were as follows:

<i>Six-month period ended 30 June</i>	Consolidated financial statements			
	2014		2013	
	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value
	<i>(in thousand Baht)</i>			
Land improvements	-	-	17	-
Building and building improvements	78,797	-	127,664	-
Leasehold improvements	5,001	-	4,334	1,688
Machinery and equipment	196,099	-	112,710	-
Furniture, fixtures and office equipment	15,229	208	8,275	41
Vehicles	15,951	136	14,983	2
Assets under construction	51,915	265,942	127,347	197,745
Exchange differences	10,278	-	(33,289)	-
Total	373,270	266,286	362,041	199,476

<i>Six-month period ended 30 June</i>	Separate financial statements			
	2014		2013	
	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value	Acquisitions and transfers in - at cost	Disposals and transfers out - net book value
	<i>(in thousand Baht)</i>			
Land improvements	-	-	17	-
Building and building improvements	77,948	-	126	-
Machinery and equipment	193,752	-	45,527	-
Furniture, fixtures and office equipment	3,863	-	975	-
Vehicles	-	-	1,050	-
Assets under construction	51,915	265,942	127,347	36,726
Total	327,478	265,942	175,042	36,726

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

7 Deferred tax

Deferred tax assets and liabilities as at 30 June 2014 and 31 December 2013 were as follows:

	Consolidated financial statements			
	Assets		Liabilities	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Total	322,787	288,567	(219,611)	(212,279)
Set off of tax	(217,798)	(209,319)	217,798	209,319
Net deferred tax assets (liabilities)	104,989	79,248	(1,813)	(2,960)

	Separate financial statements			
	Assets		Liabilities	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Total	29,561	28,136	(8,782)	(10,149)
Set off of tax	(8,782)	(10,149)	8,782	10,149
Net deferred tax assets	20,779	17,987	-	-

Deferred tax assets arising from accounts receivable relate to export of finished goods from the Group to other countries for which tax becomes payable upon export of the goods but for which revenue is recognised in the statement of income subsequently at the moment the goods are sold to third parties outside the Group. Deferred tax liabilities arising from inventories also relate to export of finished goods for which the cost becomes deductible for tax upon export but for which the cost of sales is recognised in the statement of income at the moment the goods subsequently are sold to third parties outside the Group.

Movements in total deferred tax assets and liabilities during the six-month periods ended 30 June 2014 and 2013 were as follows

	Consolidated financial statements			
	At 1 January 2014	(Charged) / Credited to: profit or loss	Exchange differences	At 30 June 2014
	<i>(in thousand Baht)</i>			
Deferred tax assets				
Accounts receivables	245,138	19,749	(2)	264,885
Provision for employee benefits	14,989	850	157	15,996
Loss carry forward	25,826	14,036	1,127	40,989
Others	2,614	(1,647)	(50)	917
Total	288,567	32,988	1,232	322,787
Deferred tax liabilities				
Inventories	204,658	7,699	-	212,357
Property, plant and equipment	7,621	(493)	126	7,254
Total	212,279	7,206	126	219,611
Net	76,288	25,782	1,106	103,176

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

	Consolidated financial statements			At 30 June 2013
	At 1 January 2013	(Charged) / Credited to: profit or loss <i>(in thousand Baht)</i>	Exchange differences	
Deferred tax assets				
Accounts receivables	228,265	14,695	(26)	242,934
Provision for employee benefits	13,681	452	(325)	13,808
Loss carry forward	16,317	9,865	(1,330)	24,852
Others	1,069	261	-	1,330
Total	259,332	25,273	(1,681)	282,924
Deferred tax liabilities				
Inventories	168,006	20,101	-	188,107
Property, plant and equipment	7,171	242	(74)	7,339
Total	175,177	20,343	(74)	195,446
Net	84,155	4,930	(1,607)	87,478
Separate financial statements				
	At 1 January 2014	(Charged) / Credited to : profit or loss <i>(in thousand Baht)</i>		At 30 June 2014
Deferred tax assets				
Accounts receivables	20,224	1,178		21,402
Provision for employee benefits	7,727	394		8,121
Others	185	(147)		38
Total	28,136	1,425		29,561
Deferred tax liabilities				
Inventories	10,149	(1,367)		8,782
Total	10,149	(1,367)		8,782
Net	17,987	2,792		20,779
Separate financial statements				
	At 1 January 2013	(Charged) / Credited to : profit or loss <i>(in thousand Baht)</i>		At 30 June 2013
Deferred tax assets				
Accounts receivables	1,564	4,644		6,208
Provision for employee benefits	7,173	(183)		6,990
Others	(149)	(35)		(184)
Total	8,588	4,426		13,014
Deferred tax liabilities				
Inventories	881	2,187		3,068
Total	881	2,187		3,068
Net	7,707	2,239		9,946

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

8 Trade accounts payable

	Consolidated		Separate	
	financial statements		financial statements	
<i>Note</i>	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Related parties	3	-	3,821	13,578
Other parties		1,255,448	1,140,917	103,264
Total		<u>1,255,448</u>	<u>1,144,738</u>	<u>116,842</u>
			<u>135,064</u>	<u>148,152</u>

9 Warrants

Employee Stock Option Plan

At the extra ordinary general meeting of Shareholders held on 7 June 2013, the shareholders approved the issue and offering of warrants to purchase ordinary shares of the Company to full-time employees at assistance manager level or above of the Group. The Group communicated terms and conditions of the scheme to the employees during June 2014.

Significant descriptions of the Employee Stock Option Plan

Securities type	Warrants to purchase the ordinary shares of the Company
Qualifications of employees eligible for warrants	Full-time employees, at level of assistant manager or above of the Company, its subsidiaries and/or affiliates on or after the date the date on which the issuance and offering of warrants is announced, including those who have been transferred or seconded to any other company while continuing to be employed by the Company, its subsidiaries and/or affiliates.
Type of warrants	Warrants with specified name and non-transferable unless otherwise transferred in accordance with the terms and conditions of the warrants
Term	Not exceeding 5 years from the date of issuance of the warrants
Grant date	6 June 2014
Number of warrants issued	8,652,400 units
Offer price per unit	Baht 0 (zero Baht)
Exercise ratio	1 unit of warrant per 1 ordinary share, subject to change according to the conditions for adjustment of rights as prescribed under the terms and conditions of the warrants.
Exercise price	Baht 17.50 per share which is equivalent to the IPO price.
Exercise period	On the last day of each month of the 6 month period commencing from the end of 4th year 6 month anniversary
Fair value of warrants	8.35 Baht per unit

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

The Group measure fair value of options using Black-Scholes model with the assumption that all of the option will be exercised at the exercisable period. The Group measured volatility based on three-month historical volatility per month extrapolated to 12 months.

Principal assumptions for options fair-value valuation are as follow;

Ordinary share price per share (Baht)	22.25
Exercise price per option (Baht)	17.50
Expected volatility	28.25%
Options term life (Years)	5
Expected dividend per share (Baht)	0.18
Risk-free interest rate	3.09%

The Group recorded the transaction for the employee stock option plan as follow;

	Consolidated financial statements	Separate financial statements
<i>Statement of financial position as at 30 June 2014</i>		
	<i>(in thousand Baht)</i>	
Investments in subsidiaries	-	1,085
Warrants	(1,204)	(1,204)
<i>Statement of comprehensive income for the three-month and six-month periods ended 30 June 2014</i>		
Administrative expenses	1,204	119

10 Corporate social responsibility reserve

The director approved the appropriation up to maximum of 2% of its consolidated profit after tax to support its corporate social responsibility activities. The Group recorded corporate social responsibility reserve as at 30 June 2014 of Baht 3 million in the consolidated and the separate financial statements respectively.

11 Segment information

The Group comprises the following segment information:

Segment 1	Brands
Segment 2	Distribution
Segment 3	OEM (“Original Equipment Manufacture”)

“Brands” represents a business segment in which goods are manufactured and sold under brands owned by the Group.

“Distribution” represents a service business segment in which the Group provides logistical and marketing services for goods trading purpose and sale of goods manufactured by third parties.

“OEM” represents a business segment in which goods are manufactured for third parties under brands not owned by the Group.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the Group's CODM. Segment profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Inter-segment charge

The distribution segment provides service to the brand segment in which the inter-segment pricing is determined on an arm's length basis.

Segment profit before tax

The segment profit before tax is derived from reportable segment revenue minus allocated cost for each segment and inter-segment charges.

Segment assets and liabilities

Segment assets and liabilities are based on the allocation to each segment of the assets and liabilities which are used for the operations of each segment.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

Information about reportable segments:

<i>Three-month period ended 30 June</i>	Brand		Distribution		OEM		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	<i>(in thousand Baht)</i>							
External revenue	894,341	899,369	943,128	748,669	121,284	115,969	1,958,753	1,764,007
Inter-segment revenue	(30,425)	(25,472)	30,425	25,472	-	-	-	-
Other income	2,074	958	1,007	273	173	160	3,254	1,391
Total segment revenue	865,990	874,855	974,560	774,414	121,457	116,129	1,962,007	1,765,398
Segment profit before income tax	147,343	180,860	69,873	94,824	12,204	14,946	229,420	290,630
<i>Six-month period ended 30 June</i>	Brand		Distribution		OEM		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	<i>(in thousand Baht)</i>							
External revenue	1,661,316	1,644,433	1,783,874	1,419,705	218,814	229,330	3,664,004	3,293,468
Inter-segment revenue	(59,297)	(46,350)	59,297	46,350	-	-	-	-
Other income	4,538	4,658	1,909	1,905	320	279	6,767	6,842
Total segment revenue	1,606,557	1,602,741	1,845,080	1,467,960	219,134	229,609	3,670,771	3,300,310
Segment profit before income tax	226,648	285,551	123,532	151,441	19,684	20,040	369,864	457,032
Segment assets as at 30 June/ 31 December	1,906,621	1,789,003	1,573,304	1,613,685	193,751	191,879	3,673,676	3,594,567

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

Reconciliation of reportable segment profit or loss and assets

Three-month period ended 30 June

2014 2013
(in thousand Baht)

Profit or loss

Total profit for reportable segments	229,420	290,630
Unallocated amounts:		
Other corporate expenses	(49,614)	(37,916)
Depreciation and amortisation	(33,667)	(23,067)
Finance costs	(4,539)	(7,594)
Interest income	4,279	108
Other income	2,765	3,235
Income tax expense	(19,576)	(44,734)
Consolidated profit	129,068	180,662

Six-month period ended 30 June

2014 2013
(in thousand Baht)

Profit or loss

Total profit for reportable segments	369,864	457,032
Unallocated amounts:		
Other corporate expenses	(98,605)	(53,097)
Depreciation and amortisation	(65,127)	(47,568)
Finance costs	(9,377)	(14,951)
Interest income	8,847	798
Other income	3,750	7,155
Income tax expense	(23,743)	(54,854)
Consolidated profit	185,609	294,515

30 June 31 December
2014 2013
(in thousand Baht)

Assets

Total assets for reportable segments	3,673,676	3,594,567
Other unallocated amounts	2,873,441	2,941,286
Consolidated total assets	6,547,117	6,535,853

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

12 Income tax expense

Income tax recognised in profit or loss

<i>Six-month period ended 30 June</i>	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
<i>(in thousand Baht)</i>					
Current tax expense					
Current tax expense		56,239	58,177	14,500	9,001
Adjustment for prior years		(5,608)	-	(5,608)	-
		<u>50,631</u>	<u>58,177</u>	<u>8,892</u>	<u>9,001</u>
Deferred tax expense					
Movements in temporary differences	7	(26,888)	(3,323)	(2,792)	(2,239)
Total income tax expense		<u>23,743</u>	<u>54,854</u>	<u>6,100</u>	<u>6,762</u>

The current tax expense in the consolidated and separate statements of comprehensive income are different from the amount determined by applying the Thai corporation tax rate to the accounting profit for the period principally because:

- (a) a significant portion of the Group's profit was derived from promoted activities which are not subject to tax.
- (b) of the different treatment for accounting and taxation purposes of certain items of income/expense, in particular, dividend income from subsidiaries, allowance for doubtful debts and allowance for obsolescence.

13 Earnings per share

The calculations of basic earnings and diluted per share for the three-month and six-month periods ended 30 June 2014 and 2013 were based on the profit for the periods attributable to ordinary shareholders of the Company and the number of ordinary shares outstanding during the periods as follows:

<i>Three-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<i>(in thousand Baht / thousand shares)</i>				
Profit for the period attributable to ordinary shareholders of the Company	129,095	180,368	75,145	215,245
Number of ordinary shares outstanding at 1 January	865,249	6,706	865,249	6,706
Effect of stock dividends for the existing shares	-	29,701	-	29,701
Effect of share split on the existing shares	-	691,727	-	691,727
Weighted average number of ordinary shares outstanding	<u>865,249</u>	<u>728,134</u>	<u>865,249</u>	<u>728,134</u>
Basic and diluted earnings per share (in Baht)	<u>0.15</u>	<u>0.25</u>	<u>0.09</u>	<u>0.30</u>

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

<i>Six-month period ended 30 June</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	185,673	293,680	455,174	253,012
Number of ordinary shares outstanding at 1 January	865,249	6,706	865,249	6,706
Effect of stock dividends for the existing shares	-	29,701	-	29,701
Effect of share split on the existing shares	-	691,727	-	691,727
Weighted average number of ordinary shares outstanding	865,249	728,134	865,249	728,134
Basic and diluted earnings per share (<i>in Baht</i>)	0.21	0.40	0.53	0.35

Diluted earnings per share

During the periods, the Company issued the warrants for employee, the issue of warrants (note 9) do not have the dilutive effect on the earnings per share calculation because the fair value of the service yet to be rendered together with the exercise prices exceeds the average market price of ordinary share during the financial period.

14 Dividends

At the annual general meeting of the shareholders of the Company held on 11 April 2014, the shareholders approved the appropriation of dividends of Baht 0.18 per share, amounting to Baht 156 million. The dividends were paid to shareholders during May 2014.

At the extraordinary general meeting of the shareholders of the Company held on 7 June 2013, the shareholders approved the appropriation of dividends of Baht 333.3 million divided into stock dividends amounting to Baht 300 million, which consisted of an increase in ordinary shares of 30 million shares with a par value of Baht 10 per share at the ratio of 1 existing share to 4.43 new ordinary shares, and cash dividends paid at Baht 4.92 per share, amounting to Baht 33.3 million. The dividends were paid to shareholders during July 2013.

At the annual general meeting of the shareholders of the Company held on 22 April 2013, the shareholders approved the appropriation of dividends of Baht 30 per share, amounting to Baht 201.2 million. The dividends were paid to shareholders during 2013.

15 Commitments and contingent liabilities with non-related parties

	Consolidated financial statements		Separate financial statements	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
<i>Capital commitments</i>	<i>(in thousand Baht)</i>			
Contracted but not provided for:				
Land	145,742	129,360	105,840	129,360
Buildings and other constructions	37,448	53,210	37,138	53,210

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and six-month periods ended 30 June 2014 (Unaudited)

	7,398	-	-	-
Software	<u>190,588</u>	<u>182,570</u>	<u>142,978</u>	<u>182,570</u>
Total	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	June	December	June	December
	2014	2013	2014	2013
<i>Non-cancellable operating lease commitments</i>	<i>(in thousand Baht)</i>			
Within one year	20,985	27,385	9,216	9,216
After one year but within five years	6,853	14,552	4,404	9,012
Total	<u>27,838</u>	<u>41,937</u>	<u>13,620</u>	<u>18,228</u>
<i>Other commitments</i>				
Purchase orders for goods and supplies	75,692	155,172	75,692	155,172
Bank guarantees	140,732	155,993	140,732	155,993
Total	<u>216,424</u>	<u>311,165</u>	<u>216,424</u>	<u>311,165</u>

Operating lease agreements

The Group has various operating lease agreements for office and warehouse rental. The period of agreements is variable from 1-5 years.

Distribution and service agreements

The Group has entered into usually exclusive distribution and service agreements with third parties in various countries. The compensation for the distributors is variable and depends on the volume of business carried out. The compensation accruing to the Group is usually fixed and revised periodically. The agreements can usually be terminated within a year without the Group incurring significant obligations.

Contingent liabilities

As at 30 June 2014, the Company had contingent liabilities with financial institutions to guarantee the Company's subsidiaries in respect of line of credit use for amounts up to Baht 1,090 million and U.S. Dollars 13 million (*31 December 2013: Baht 990 million and U.S. Dollars 13 million*).

16 Events after the reporting date

At the meeting of the Board of Directors held on 13 August 2014, the director approved the appropriation of interim dividends of Baht 0.10 per share, amounting to Baht 86.52 million. The interim dividends will be paid during 2014.