

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

Interim financial statements
for the three-month and nine-month periods ended
30 September 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 September 2014; the consolidated and separate statements of comprehensive income for the three-month and nine-month periods ended 30 September 2014, changes in equity and cash flows for the nine-month period ended 30 September 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 November 2014

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

	Note	Consolidated financial statements		Separate financial statements	
		30 September 2014 (Unaudited)	31 December 2013	30 September 2014 (Unaudited)	31 December 2013
<i>(in thousand Baht)</i>					
Assets					
Current assets					
Cash and cash equivalents		1,237,433	1,540,309	997,191	1,119,123
Trade accounts receivable	3, 4	1,906,847	1,724,243	1,237,284	529,762
Short-term loan to related parties	3	-	-	92,000	400,000
Other receivables	3	203,413	174,012	71,599	56,193
Inventories		1,700,905	1,684,925	498,158	503,241
Advances to suppliers and distributors		89,783	101,804	32,213	29,956
Total current assets		5,138,381	5,225,293	2,928,445	2,638,275
Non-current assets					
Investments in subsidiaries	5	-	-	56,503	52,162
Restricted deposits at financial institutions		-	10,626	-	196
Property, plant and equipment	6	987,506	969,507	628,383	606,630
Intangible assets		223,653	213,016	188,123	188,751
Deferred tax assets	7	103,349	79,248	23,014	17,987
Other non-current assets		72,045	38,163	62,720	27,440
Total non-current assets		1,386,553	1,310,560	958,743	893,166
Total assets		6,524,934	6,535,853	3,887,188	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

	Note	Consolidated financial statements		Separate financial statements	
		30 September 2014 (Unaudited)	31 December 2013	30 September 2014 (Unaudited)	31 December 2013
<i>(in thousand Baht)</i>					
Liabilities and equity					
Current liabilities					
Bank overdrafts and short-term loans from financial institutions		742,359	709,425	513,395	349,466
Trade accounts payable	3, 8	1,204,377	1,144,738	131,390	148,152
Other payables	3	174,893	201,759	17,414	42,397
Short-term loan from and interest payable to related parties	3	-	-	2,532	2,603
Current portion of long-term loans from financial institutions		74,033	75,019	43,441	44,020
Current portion of finance lease liabilities		219	247	73	47
Income tax payable		10,877	52,884	7,411	7,057
Accrued expenses		345,466	363,335	52,111	78,963
Total current liabilities		2,552,224	2,547,407	767,767	672,705
Non-current liabilities					
Long-term loans from financial institutions		153,489	211,799	97,353	131,666
Finance lease liabilities		232	435	89	196
Deferred tax liabilities	7	1,795	2,960	-	-
Employee benefit obligations		88,846	78,586	54,721	43,520
Other non-current liabilities		2,707	2,093	-	-
Total non-current liabilities		247,069	295,873	152,163	175,382
Total liabilities		2,799,293	2,843,280	919,930	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	
		30 September	31 December	30 September	31 December
Liabilities and equity	Note	2014	2013	2014	2013
		(Unaudited)		(Unaudited)	
		<i>(in thousand Baht)</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	4,818	-	4,818	-
Retained earnings					
Appropriated					
Legal reserve		49,088	49,088	43,695	43,695
Corporate social responsibility reserve	10	5,200	-	5,200	-
Unappropriated		1,261,096	1,212,726	342,817	68,931
Other components of equity		(165,272)	(139,981)	-	-
Equity attributable to owners					
of the Company		3,725,658	3,692,561	2,967,258	2,683,354
Non-controlling interests		(17)	12	-	-
Total equity		3,725,641	3,692,573	2,967,258	2,683,354
Total liabilities and equity		6,524,934	6,535,853	3,887,188	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 September		30 September	
		2014	2013	2014	2013
<i>(in thousand Baht)</i>					
Income					
Revenue from sales of goods and rendering of services	11	1,973,627	1,777,144	558,401	473,537
Investment income		3,463	85	4,148	78,995
Net foreign exchange gain		939	4,225	-	648
Other income		5,210	3,854	1,888	2,691
Total income		1,983,239	1,785,308	564,437	555,871
Expenses					
Cost of sales of goods and rendering of services		1,194,368	1,028,261	368,358	317,072
Selling expenses		415,264	336,040	58,229	66,766
Administrative expenses		237,592	222,380	57,355	57,032
Net foreign exchange loss		-	-	2,133	-
Finance costs		4,123	8,625	2,856	5,497
Total expenses		1,851,347	1,595,306	488,931	446,367
Profit before income tax expense		131,892	190,002	75,506	109,504
Income tax expense		(20,589)	(36,083)	(4,765)	(801)
Profit for the period		111,303	153,919	70,741	108,703
Other comprehensive income					
Foreign currency translation differences for foreign operations		(31,600)	8,121	-	-
Other comprehensive income for the period		(31,600)	8,121	-	-
Total comprehensive income for the period		79,703	162,040	70,741	108,703
Profit attributable to:					
Owners of the Company		111,270	153,142	70,741	108,703
Non-controlling interests		33	777	-	-
Profit for the period		111,303	153,919	70,741	108,703
Total comprehensive income attributable to:					
Owners of the Company		79,668	161,191	70,741	108,703
Non-controlling interests		35	849	-	-
Total comprehensive income for the period		79,703	162,040	70,741	108,703
Basic and diluted earnings per share (in Baht)	13	0.13	0.21	0.08	0.15

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	
		Nine-month period ended 30 September		Nine-month period ended 30 September	
		2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Income					
Revenue from sales of goods and rendering of services	11	5,637,631	5,070,612	1,621,252	1,236,792
Investment income		12,310	883	316,648	249,089
Net foreign exchange gain		-	14,722	-	8,108
Other income		15,726	17,851	6,352	8,626
Total income		5,665,667	5,104,068	1,944,252	1,502,615
Expenses					
Cost of sales of goods and rendering of services		3,441,498	2,920,765	1,047,571	813,412
Selling expenses		1,133,397	975,017	173,841	136,787
Administrative expenses		714,389	645,339	173,351	168,348
Net foreign exchange loss		21,639	-	3,597	-
Finance costs		13,500	23,576	9,112	14,790
Total expenses		5,324,423	4,564,697	1,407,472	1,133,337
Profit before income tax expense		341,244	539,371	536,780	369,278
Income tax expense	12	(44,332)	(90,937)	(10,865)	(7,563)
Profit for the period		296,912	448,434	525,915	361,715
Other comprehensive income					
Defined benefit plan actuarial losses		(822)	-	(4,300)	-
Foreign currency translation differences for foreign operations		(25,289)	(31,430)	-	-
Other comprehensive income for the period		(26,111)	(31,430)	(4,300)	-
Total comprehensive income for the period		270,801	417,004	521,615	361,715
Profit attributable to:					
Owners of the Company		296,943	446,822	525,915	361,715
Non-controlling interests		(31)	1,612	-	-
Profit for the period		296,912	448,434	525,915	361,715
Total comprehensive income attributable to:					
Owners of the Company		270,830	419,037	521,615	361,715
Non-controlling interests		(29)	(2,033)	-	-
Total comprehensive income for the period		270,801	417,004	521,615	361,715
Basic and diluted earnings per share (in Baht)	13	0.34	0.61	0.61	0.50

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	Retained earnings		Other component of equity		Equity attributable to owners of the Company	Non-controlling interests	Total equity
			Legal reserve	Unappropriated	Currency translation differences	Total other components of equity			
<i>(in thousand Baht)</i>									
Nine-month period ended 30 September 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>Contributions by and distributions to owners of the Company</i>									
Issue of ordinary shares		675	-	-	-	-	675	-	675
Issue of ordinary shares for stock dividends	14	300,000	-	(300,000)	-	-	-	-	-
Dividends to owners of the Company	14	-	-	(282,325)	-	-	(282,325)	-	(282,325)
Total contributions by and distributions to owners of the Company		300,675	-	(582,325)	-	-	(281,650)	-	(281,650)
<i>Changes in ownership interests in subsidiaries</i>									
Acquisition of non-controlling interests without a change in control		-	-	28,890	(7,565)	(7,565)	21,325	(21,325)	-
Total changes in ownership interests in subsidiaries		-	-	28,890	(7,565)	(7,565)	21,325	(21,325)	-
Total transactions with owners, recorded directly in equity		300,675	-	(553,435)	(7,565)	(7,565)	(260,325)	(21,325)	(281,650)
Comprehensive income for the period									
Profit		-	-	446,822	-	-	446,822	1,612	448,434
Foreign currency translation differences		-	-	-	(27,785)	(27,785)	(27,785)	(3,645)	(31,430)
Total comprehensive income for the period		-	-	446,822	(27,785)	(27,785)	419,037	(2,033)	417,004
Transfer to legal reserve		-	23,062	(23,062)	-	-	-	-	-
Balance at 30 September 2013		367,731	36,176	1,614,224	(172,405)	(172,405)	1,845,726	24	1,845,750

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				<u>Retained earnings</u>			<u>Other component of equity</u>				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>(in thousand Baht)</i>												
Nine-month period ended 30 September 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	14	-	-	-	-	-	(242,551)	-	-	(242,551)	-	(242,551)
Share-based payment transactions	9	-	-	4,818	-	-	-	-	-	4,818	-	4,818
Total transactions with owners, recorded directly in equity		-	-	4,818	-	-	(242,551)	-	-	(237,733)	-	(237,733)
Comprehensive income for the period												
Profit		-	-	-	-	-	296,943	-	-	296,943	(31)	296,912
Other comprehensive income		-	-	-	-	-	(822)	(25,291)	(25,291)	(26,113)	2	(26,111)
Total comprehensive income for the period		-	-	-	-	-	296,121	(25,291)	(25,291)	270,830	(29)	270,801
Transfer to corporate social responsibility reserve	10	-	-	-	-	5,200	(5,200)	-	-	-	-	-
Balance at 30 September 2014		432,624	2,138,104	4,818	49,088	5,200	1,261,096	(165,272)	(165,272)	3,725,658	(17)	3,725,641

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	Separate financial statements		Total equity
			Legal reserve	Retained earnings Unappropriated	
<i>(in thousand Baht)</i>					
Nine-month period ended 30 September 2013					
Balance at 1 January 2013		67,056	7,721	468,204	542,981
Transactions with owners, recorded directly in equity					
Issue of ordinary shares		675	-	-	675
Issue of ordinary shares for stock dividends	14	300,000	-	(300,000)	-
Dividends to owners of the Company	14	-	-	(282,306)	(282,306)
Total transactions with owners, recorded directly in equity		300,675	-	(582,306)	(281,631)
Comprehensive income for the period					
Profit		-	-	361,715	361,715
Total comprehensive income for the period		-	-	361,715	361,715
Transfer to legal reserve		-	23,062	(23,062)	-
Balance at 30 September 2013		367,731	30,783	224,551	623,065

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	
Nine-month period ended 30 September 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	-	-	-	-	-	(242,529)	(242,529)
Share-based payment transactions	9	-	-	4,818	-	-	-	4,818
Total transactions with owners, recorded directly in equity		-	-	4,818	-	-	(242,529)	(237,711)
Comprehensive income for the period								
Profit		-	-	-	-	-	525,915	525,915
Other comprehensive income		-	-	-	-	-	(4,300)	(4,300)
Total comprehensive income for the period		-	-	-	-	-	521,615	521,615
Transfer to corporate social responsibility reserve	10	-	-	-	-	5,200	(5,200)	-
Balance at 30 September 2014		432,624	2,138,104	4,818	43,695	5,200	342,817	2,967,258

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	
	Nine-month period ended		Nine-month period ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Cash flows from operating activities</i>				
Profit for the period	296,912	448,434	525,915	361,715
<i>Adjustments for</i>				
Depreciation	93,332	69,466	48,255	32,879
Amortisation of intangible assets	4,137	2,244	628	617
Allowance (reversal) on decline in value of inventories	8,250	4,701	1,005	(2,980)
Investment income	(12,310)	(883)	(316,648)	(249,089)
Finance costs	13,500	23,576	9,112	14,790
Allowance for doubtful accounts	2,466	2,355	-	-
Unrealised (gain) loss on exchange rate	61,522	(31,156)	16,136	(12,265)
Gain on disposal of property, plant and equipment	(1,359)	(1,102)	-	-
Employee benefit obligations	11,179	10,253	6,901	5,026
Share-based payment transaction	4,818	-	477	-
Income tax expense	44,332	90,937	10,865	7,563
	<u>526,779</u>	<u>618,825</u>	<u>302,646</u>	<u>158,256</u>
<i>Changes in operating assets and liabilities</i>				
Trade accounts receivable	(302,660)	(235,193)	(729,867)	7,746
Other receivables	(28,930)	(57,237)	(25,793)	(53,747)
Inventories	(35,061)	(284,359)	4,077	(137,076)
Advances to suppliers and distributors	11,016	3,679	(3,257)	(1,577)
Restricted deposits at financial institutions	-	7,148	196	(7)
Other non-current assets	1,269	(5,030)	-	(15,680)
Trade accounts payable	98,841	286,626	(13,718)	(10,243)
Other payables	(19,969)	(6,589)	(14,829)	(28,331)
Accrued expenses	(19,470)	16,948	(26,852)	41,195
Other non-current liabilities	681	-	-	-
Employee benefit obligations paid	(1,126)	(498)	-	(66)
Cash generated from (used in) operating activities	231,370	344,320	(507,397)	(39,530)
Income tax paid	(112,140)	(155,221)	(15,539)	(22,294)
Net cash from (used in) operating activities	<u>119,230</u>	<u>189,099</u>	<u>(522,936)</u>	<u>(61,824)</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	
	Nine-month period ended		Nine-month period ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>				
Interest received	11,569	846	15,795	7
Dividend received	-	-	300,000	249,082
Purchase of property, plant and equipment	(122,533)	(285,079)	(70,008)	(207,990)
Advance payments for land	(35,280)	-	(35,280)	-
Net decrease in restricted deposits at financial institutions	10,430	-	-	-
Purchase of intangible assets	(15,070)	(18,021)	-	(135)
Sale of equipment	1,710	1,310	-	-
Net cash from (used in) investing activities	(149,174)	(300,944)	210,507	40,964
<i>Cash flows from financing activities</i>				
Finance costs paid	(13,664)	(23,625)	(9,330)	(14,659)
Dividends paid	(242,551)	(282,325)	(242,529)	(282,306)
Finance lease payments	(231)	(642)	(82)	(23)
Increase in bank overdrafts and short-term loans from financial institutions	42,550	337,086	169,329	253,163
Short-term loans to related parties	-	-	(300,000)	-
Repayment of short-term loans to related parties	-	-	608,000	-
Proceeds from long-term borrowings	-	121,382	-	121,382
Repayment of borrowings	(57,061)	(45,335)	(34,891)	(33,042)
Proceeds from issue of ordinary shares	-	675	-	675
Net cash from (used in) financing activities	(270,957)	107,216	190,497	45,190
Net increase (decrease) in cash and cash equivalents	(300,901)	(4,629)	(121,932)	24,330
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	(1,975)	2,917	-	-
Cash and cash equivalents at 30 September	1,237,433	352,074	997,191	27,795

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 nine-month periods ended 30 September 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

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
For the three-month and nine-month periods ended 30 September 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 November 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, Kenya 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 parent 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 September 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 nine-month periods ended 30 September 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 and directors
InsurExcellence Insurance Brokers Ltd.	Thailand	Common shareholders and directors
Linaria Chemical (Thailand) Limited	Thailand	Common shareholders and directors

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

Name of entities	Country of incorporation/ nationality	Nature of relationships
Mechai Pattana School	Thailand	Common Chairman
SS-KS International (Canada) Inc.	Canada	Common shareholders and directors
Rupin International (Canada) Inc.	Canada	Common shareholders and directors
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 nine-month periods ended 30 September 2014 and 2013 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<i>Three-month period ended 30 September</i>				
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sale of goods and rendering of service	-	-	246,283	228,469
Purchase of goods or receiving of service	-	-	22,954	4,504
Commission expense	-	-	3,181	-
Interest expense	-	-	11	12
Interest income	-	-	718	-
Other income	-	-	169	61
Advertising expenses	-	-	3,613	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	24,312	30,249	3,748	10,034
Post-employment benefits	310	163	217	95
Expense for employee stock option plan	71	-	71	-
Total key management personnel Compensation	24,693	30,412	4,036	10,129
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 nine-month periods ended 30 September 2014 (Unaudited)

<i>Three-month period ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Other related parties				
Sale of goods	6,683	10,182	6,683	10,182
Purchase of goods or receiving of services	4,425	5,630	2,974	518
Commission income	-	362	-	-
<i>Nine-month period ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sale of goods and rendering of service	-	-	762,890	679,113
Purchase of goods or receiving of service	-	-	41,380	11,062
Commission expense	-	-	14,139	-
Interest expense	-	-	32	37
Interest income	-	-	4,683	-
Other income	-	-	1,216	334
Advertising expense	-	-	10,317	-
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	60,340	74,994	12,005	17,990
Post-employment benefits	927	595	650	390
Expense for employee stock option plan	95	-	95	-
Total key management personnel Compensation	61,362	75,589	12,750	18,380
Directors' remuneration	5,580	5,580	5,580	5,580
Other related parties				
Sale of goods	32,657	30,835	32,657	30,835
Purchase of goods or receiving of services	16,138	23,471	7,011	5,117
Commission income	-	1,170	-	-

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

<i>Trade accounts receivable - related parties</i>	Consolidated financial statements		Separate financial statements	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	569,607	237,506
Other related parties	64,135	55,883	64,135	55,883
Total	64,135	55,883	633,742	293,389

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

<i>Other receivables - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	10,470	10,799
Other related parties	1,263	228	708	228
Total	1,263	228	11,178	11,027

<i>Short-term loan to related parties</i>	Interest rate		Consolidated		Separate	
			financial statements		financial statements	
	2014	2013	30	31	30	31
			September	December	September	December
			2014	2013	2014	2013
	<i>(% per annum)</i>					
	<i>(in thousand Baht)</i>					
<i>Short-term loan</i>						
Subsidiary	1.65	1.75	-	-	92,000	400,000
Short-term loan to related parties			-	-	92,000	400,000

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

<i>Short-term loan to related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
<i>Nine-month period ended 30 September</i>	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
<i>Subsidiary</i>				
At 1 January	-	-	400,000	-
Increase	-	-	300,000	-
Decrease	-	-	(608,000)	-
At 30 September	-	-	92,000	-

<i>Trade accounts payable - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	17,438	13,088
Other related parties	797	3,821	-	-
Total	797	3,821	17,438	13,088

<i>Other payables - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2014	2013	2014	2013
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	1,914	9,813
Other related parties	511	275	-	-
Total	511	275	1,914	9,813

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

<i>Short-term loan from and interest payable to related parties</i>	Interest rate		Consolidated financial statements		Separate financial statements	
			30 September 2014	31 December 2013	30 September 2014	31 December 2013
<i>Short-term loan</i>	2014	2013	<i>(in thousand Baht)</i>			
	<i>(% per annum)</i>					
Subsidiary	1.70	2.00	-	-	2,532	2,603
Short-term loan from related parties			<u>-</u>	<u>-</u>	<u>2,532</u>	<u>2,603</u>

Movements during the nine-month periods ended 30 September 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>Nine-month period ended 30 September</i>	<i>(in thousand Baht)</i>			
<i>Short-term loan</i>				
Subsidiary				
At 1 January	-	-	2,603	2,555
Increase	-	-	32	36
Decrease	-	-	(103)	-
At 30 September	<u>-</u>	<u>-</u>	<u>2,532</u>	<u>2,591</u>

Significant agreements with related parties

As at 30 September 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 nine-month periods ended 30 September 2014 (Unaudited)

4 Trade accounts receivable

	Note	Consolidated financial statements		Separate financial statements	
		30	31	30	31
		September 2014	December 2013	September 2014	December 2013
		<i>(in thousand Baht)</i>			
Related parties	3	64,135	55,883	633,742	293,389
Other parties		1,852,547	1,676,268	603,542	236,373
Total		1,916,682	1,732,151	1,237,284	529,762
Less allowance for doubtful accounts		(9,835)	(7,908)	-	-
Net		1,906,847	1,724,243	1,237,284	529,762
Bad and doubtful debts expense for the nine-month period ended 30 September		2,466	2,355	-	-

Aging analyses for trade accounts receivable were as follows:

	Consolidated financial statements		Separate financial statements	
	30	31	30	31
	September 2014	December 2013	September 2014	December 2013
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	29,580	17,650	536,644	248,152
Overdue:				
Less than 3 months	8,990	9,559	56,616	14,970
3 - 6 months	12,552	14,883	17,900	16,151
6 - 12 months	4,169	13,791	12,797	14,116
Over 12 months	8,844	-	9,785	-
	64,135	55,883	633,742	293,389
Other parties				
Within credit terms	1,258,908	982,844	337,259	119,450
Overdue:				
Less than 3 months	360,250	359,150	154,313	76,084
3 - 6 months	163,160	276,707	99,861	39,751
6 - 12 months	61,685	52,421	11,865	239
Over 12 months	8,544	5,146	244	849
	1,852,547	1,676,268	603,542	236,373
Less allowance for doubtful accounts	(9,835)	(7,908)	-	-
	1,842,712	1,668,360	603,542	236,373
Net	1,906,847	1,724,243	1,237,284	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 nine-month periods ended 30 September 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	4,341	-
At 30 September	<u>56,503</u>	<u>52,162</u>
At 31 December		<u>52,162</u>

Additional investment in direct subsidiaries

Additional investments in subsidiaries of Baht 4.3 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 45.3 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 31.6 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 nine-month periods ended 30 September 2014 (Unaudited)

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

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	30 September 2013
			(%)				<i>(in thousand Baht)</i>			
<i>Direct subsidiaries</i>										
Mega Lifesciences PTY Limited	Branded products and distribution business	Thailand	99.99	99.99	50,000	50,000	54,337	49,996	300,000	249,082
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							56,503	52,162	300,000	249,082
<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	429,604	398,007	-	-
Mega Lifesciences (Vietnam) Limited	Branded products and distribution business	Vietnam	99.99	99.99	107,959	63,004	108,284	63,004	-	-
Mega Lifesciences Sdn.Bhd	Branded products business	Malaysia	99.99	99.99	17,214	17,214	17,309	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	15,520	15,281	-	-
Mega Lifesciences Nigeria Limited	Branded products and distribution business	Nigeria	99.99	99.99	14,885	14,885	15,104	14,885	-	-
Mega Lifesciences Ghana Limited	Branded products business	Ghana	99.99	99.99	9,469	9,469	9,517	9,469	-	-

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

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	30 September 2013
			<i>(%)</i>				<i>(in thousand Baht)</i>			
Mega Lifesciences Private Limited	Branded products business	India	99.99	99.99	4,777	4,777	4,968	4,777	-	-
Mega Lifesciences Limited	Distribution business	Myanmar	99.99	99.99	2,534	2,534	3,486	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	715	410	-	184,388
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	242	99	-	-
Total							620,416	541,347	-	184,388

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

6 Property, plant and equipment

Additions, disposals and transfers of property, plant and equipment during the nine-month periods ended 30 September 2014 and 2013 were as follows:

<i>Nine-month period ended 30 September</i>	Consolidated financial statements			
	2014		2013	
	Additions and transfers in - at cost	Disposals and transfers out - net book value	Additions and transfers in - at cost	Disposals and transfers out - net book value
	<i>(in thousand Baht)</i>			
Land improvements	-	-	17	-
Building and building improvements	79,015	-	125,395	-
Leasehold improvements	7,851	-	4,924	1,661
Machinery and equipment	202,541	-	123,343	-
Furniture, fixtures and office equipment	23,632	222	14,572	961
Vehicles	15,761	137	16,035	142
Assets under construction	59,675	265,942	203,625	202,832
Exchange differences	(15,290)	-	(28,773)	-
Total	373,185	266,301	459,138	205,596

<i>Nine-month period ended 30 September</i>	Separate financial statements			
	2014		2013	
	Additions and transfers in - at cost	Disposals and transfers out - net book value	Additions 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	193,936	-	45,717	-
Furniture, fixtures and office equipment	4,391	-	1,782	-
Vehicles	-	-	1,050	-
Assets under construction	59,675	265,942	203,625	44,327
Total	335,950	265,942	252,317	44,327

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

7 Deferred tax

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

	Consolidated financial statements			
	Assets		Liabilities	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Total	294,465	288,567	(192,911)	(212,279)
Set off of tax	(191,116)	(209,319)	191,116	209,319
Net deferred tax assets (liabilities)	103,349	79,248	(1,795)	(2,960)

	Separate financial statements			
	Assets		Liabilities	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	<i>(in thousand Baht)</i>			
Total	32,911	28,136	(9,897)	(10,149)
Set off of tax	(9,897)	(10,149)	9,897	10,149
Net deferred tax assets	23,014	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 nine-month periods ended 30 September 2014 and 2013 were as follows:

	Consolidated financial statements			
	At 1 January 2014	(Charged) / Credited to: profit or loss	Exchange differences	At 30 September 2014
	<i>(in thousand Baht)</i>			
Deferred tax assets				
Accounts receivable	245,138	(4,350)	(1)	240,787
Provision for employee benefits	14,989	1,184	(109)	16,064
Loss carry forward	25,826	10,614	(1,126)	35,314
Others	2,614	(176)	(138)	2,300
Total	288,567	7,272	(1,374)	294,465
Deferred tax liabilities				
Inventories	204,658	(18,714)	-	185,944
Property, plant and equipment	7,621	(464)	(190)	6,967
Total	212,279	(19,178)	(190)	192,911
Net	76,288	26,450	(1,184)	101,554

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

	Consolidated financial statements			
	At 1 January 2013	(Charged) / Credited to: profit or loss (in thousand Baht)	Exchange differences	At 30 September 2013
<i>Deferred tax assets</i>				
Accounts receivable	228,265	12,730	10	241,005
Provision for employee benefits	13,681	893	(279)	14,295
Loss carry forward	16,317	12,852	(1,149)	28,020
Others	1,069	(158)	-	911
Total	259,332	26,317	(1,418)	284,231
<i>Deferred tax liabilities</i>				
Inventories	168,006	27,504	-	195,510
Property, plant and equipment	7,171	395	28	7,594
Total	175,177	27,899	28	203,104
Net	84,155	(1,582)	(1,446)	81,127
		Separate financial statements		
	At 1 January 2014	(Charged) / Credited to : profit or loss (in thousand Baht)	At 30 September 2014	
<i>Deferred tax assets</i>				
Accounts receivable	20,224	4,144	24,368	
Provision for employee benefits	7,727	615	8,342	
Others	185	16	201	
Total	28,136	4,775	32,911	
<i>Deferred tax liabilities</i>				
Inventories	10,149	(252)	9,897	
Total	10,149	(252)	9,897	
Net	17,987	5,027	23,014	
		Separate financial statements		
	At 1 January 2013	(Charged) / Credited to : profit or loss (in thousand Baht)	At 30 September 2013	
<i>Deferred tax assets</i>				
Accounts receivable	1,564	10,351	11,915	
Provision for employee benefits	7,173	(56)	7,117	
Others	(149)	(335)	(484)	
Total	8,588	9,960	18,548	
<i>Deferred tax liabilities</i>				
Inventories	881	5,015	5,896	
Total	881	5,015	5,896	
Net	7,707	4,945	12,652	

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

8 Trade accounts payable

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 September 2014	31 December 2013	30 September 2014	31 December 2013
		<i>(in thousand Baht)</i>			
Related parties	3	797	3,821	17,438	13,088
Other parties		1,203,580	1,140,917	113,952	135,064
Total		<u>1,204,377</u>	<u>1,144,738</u>	<u>131,390</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

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.

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

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 September 2014</i>		
	<i>(in thousand Baht)</i>	
Investments in subsidiaries	-	4,341
Warrants	(4,818)	(4,818)
<i>Statement of comprehensive income for the three-month periods ended 30 September 2014</i>		
Administrative expenses	3,614	358
<i>Statement of comprehensive income for the nine-month periods ended 30 September 2014</i>		
Administrative expenses	4,818	477

10 Corporate social responsibility reserve

The directors 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 September 2014 of Baht 5.2 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 nine-month periods ended 30 September 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 nine-month periods ended 30 September 2014 (Unaudited)

Information about reportable segments:

<i>Three-month period ended</i> <i>30 September</i>	Brands		Distribution		OEM		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	<i>(in thousand Baht)</i>							
External revenue	954,737	893,476	922,620	766,411	96,270	117,257	1,973,627	1,777,144
Inter-segment revenue	(33,058)	(27,938)	33,058	27,938	-	-	-	-
Other income	1,432	290	2,469	362	111	178	4,012	830
Total segment revenue	923,111	865,828	958,147	794,711	96,381	117,435	1,977,639	1,777,974
Segment profit before income tax	124,286	157,305	61,930	61,731	16,424	20,287	202,640	239,323
	<i>(in thousand Baht)</i>							
<i>Nine-month period ended</i> <i>30 September</i>	Brands		Distribution		OEM		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
External revenue	2,616,053	2,537,909	2,706,493	2,186,115	315,085	346,588	5,637,631	5,070,612
Inter-segment revenue	(92,355)	(74,288)	92,355	74,288	-	-	-	-
Other income	5,970	4,948	4,378	2,267	431	457	10,779	7,672
Total segment revenue	2,529,668	2,468,569	2,803,226	2,262,670	315,516	347,045	5,648,410	5,078,284
Segment profit before income tax	350,934	442,856	185,463	213,172	36,107	40,327	572,504	696,355
Segment assets as at 30 September /31 December	2,070,882	1,789,003	1,549,392	1,613,685	172,877	191,879	3,793,151	3,594,567

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

Reconciliation of reportable segment profit or loss and assets

Three-month period ended 30 September

2014 2013
(in thousand Baht)

Profit or loss

Total profit for reportable segments	202,640	239,323
Unallocated amounts:		
Other corporate expenses	(38,945)	(19,663)
Depreciation and amortisation	(32,342)	(24,142)
Finance costs	(4,123)	(8,625)
Interest income	3,463	85
Other income	1,199	3,024
Income tax expenses	(20,589)	(36,083)
Consolidated profit	111,303	153,919

Nine-month period ended 30 September

2014 2013
(in thousand Baht)

Profit or loss

Total profit for reportable segments	572,504	696,355
Unallocated amounts:		
Other corporate expenses	(137,549)	(72,760)
Depreciation and amortisation	(97,469)	(71,710)
Finance costs	(13,500)	(23,576)
Interest income	12,310	883
Other income	4,948	10,179
Income tax expenses	(44,332)	(90,937)
Consolidated profit	296,912	448,434

30 September 31 December
2014 2013
(in thousand Baht)

Assets

Total assets for reportable segments	3,793,151	3,594,567
Other unallocated amounts	2,731,783	2,941,286
Consolidated total assets	6,524,934	6,535,853

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

12 Income tax expense

Income tax recognised in profit or loss

<i>Nine-month period ended</i> <i>30 September</i>	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		2014	2013	2014	2013
		<i>(in thousand Baht)</i>			
Current tax expense		76,390	87,909	21,500	12,508
Adjustment for prior years		(5,608)	-	(5,608)	-
Total income tax expense		70,782	87,909	15,892	12,508
Deferred tax expense					
Movements in temporary differences	7	(26,450)	3,028	(5,027)	(4,945)
Total income tax expense		44,332	90,937	10,865	7,563

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 nine-month periods ended 30 September 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 September</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	111,270	153,142	70,741	108,703
Number of ordinary shares outstanding at 1 July	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	-	691,728	-	691,728
Effect of share issued on 17 July 2013	-	54	-	54
Effect of stock dividends for new shares	-	240	-	240
Effect of share split on new shares	-	5,599	-	5,599
Weighted average number of ordinary shares outstanding	865,249	734,028	865,249	734,028
Basic and diluted earnings per share (in Baht)	0.13	0.21	0.08	0.15

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

<i>Nine-month period ended 30 September</i>	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2014	2013	2014	2013
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	<u>296,943</u>	<u>446,822</u>	<u>525,915</u>	<u>361,715</u>
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	-	691,728	-	691,728
Effect of share issued on 17 July 2013	-	18	-	18
Effect of stock dividends for new shares	-	81	-	81
Effect of share split on new shares	-	1,887	-	1,887
Weighted average number of ordinary shares outstanding	<u>865,249</u>	<u>730,121</u>	<u>865,249</u>	<u>730,121</u>
Basic and diluted earnings per share (in Baht)	<u>0.34</u>	<u>0.61</u>	<u>0.61</u>	<u>0.50</u>

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 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 September 2014.

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 meeting of the Board of Directors held on 13 August 2013, the director approved the appropriation of interim dividends of Baht 0.07 per share, amounting to Baht 47.8 million. The interim dividends were paid to shareholders during September 2013.

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.

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

15 Commitments and contingent liabilities with non-related parties

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	30	31	30	31
	September	December	September	December
	2014	2013	2014	2013
<i>Capital commitments</i>				
Contracted but not provided for:				
Land	130,953	129,360	94,080	129,360
Buildings and other constructions	37,713	53,210	32,242	53,210
Software	4,500	-	-	-
Total	173,166	182,570	126,322	182,570
<i>Non-cancellable operating lease commitments</i>				
Within one year	20,829	27,385	9,216	9,216
After one year but within five years	10,597	14,552	2,100	9,012
Total	31,426	41,937	11,316	18,228
<i>Other commitments</i>				
Purchase orders for goods and supplies	54,934	155,172	54,934	155,172
Bank guarantees	143,097	155,993	143,097	155,993
Total	198,031	311,165	198,031	311,165

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 September 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 1,140 million and U.S. Dollars 13 million (31 December 2013: Baht 990 million and U.S. Dollars 13 million).