

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

Interim financial statements  
for the three-month period ended  
31 March 2016

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 31 March 2016; the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2016; 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".

(Orawan Chuhakitpaisan)  
Certified Public Accountant  
Registration No. 6105

KPMG Phoomchai Audit Ltd.  
Bangkok  
12 May 2016

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		31 March	31 December	31 March	31 December
Assets	Note	2016	2015	2016	2015
		(Unaudited)		(Unaudited)	
		<i>(in thousand Baht)</i>			
<b>Current assets</b>					
Cash and cash equivalents		1,016,022	515,679	681,623	81,870
Current investments	4	444,573	951,111	444,573	951,111
Trade accounts receivable	3, 5	2,083,426	2,253,362	1,165,546	1,268,257
Other receivables	3	233,849	232,598	45,704	55,327
Inventories		1,934,871	2,066,616	587,661	625,518
Advances to suppliers and distributors		161,701	149,878	59,816	53,799
<b>Total current assets</b>		<b>5,874,442</b>	<b>6,169,244</b>	<b>2,984,923</b>	<b>3,035,882</b>
<b>Non-current assets</b>					
Investments in associate	6	-	-	-	-
Investments in subsidiaries	7	-	-	80,530	71,574
Property, plant and equipment	8	1,019,629	1,031,495	620,559	629,961
Intangible assets		231,414	232,700	191,107	191,429
Deferred tax assets	9	106,282	105,716	33,320	37,910
Other non-current assets		106,781	73,392	97,808	64,504
<b>Total non-current assets</b>		<b>1,464,106</b>	<b>1,443,303</b>	<b>1,023,324</b>	<b>995,378</b>
<b>Total assets</b>		<b>7,338,548</b>	<b>7,612,547</b>	<b>4,008,247</b>	<b>4,031,260</b>

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		Separate	
		financial statements		financial statements	
		31 March 2016 (Unaudited)	31 December 2015	31 March 2016 (Unaudited)	31 December 2015
<i>(in thousand Baht)</i>					
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans from financial institutions		337,962	543,270	200,436	264,041
Trade accounts payable	3, 10	1,313,020	1,604,214	142,349	170,516
Other payables	3	440,412	331,033	84,976	75,612
Current portion of long-term loans from financial institutions		80,615	82,543	47,304	48,435
Current portion of finance lease liabilities		9,093	8,421	49	69
Income tax payable		102,912	80,143	35,847	30,116
Accrued expenses		437,669	445,617	52,997	74,819
<b>Total current liabilities</b>		<b>2,721,683</b>	<b>3,095,241</b>	<b>563,958</b>	<b>663,608</b>
<b>Non-current liabilities</b>					
Long-term loans from financial institutions		46,214	67,954	35,053	48,000
Finance lease liabilities		14,810	16,318	-	-
Deferred tax liabilities	9	847	1,349	-	-
Employee benefit obligation		90,310	94,422	52,651	52,740
Other non-current liabilities		2,578	2,595	-	-
<b>Total non-current liabilities</b>		<b>154,759</b>	<b>182,638</b>	<b>87,704</b>	<b>100,740</b>
<b>Total liabilities</b>		<b>2,876,442</b>	<b>3,277,879</b>	<b>651,662</b>	<b>764,348</b>

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		Separate	
		financial statements		financial statements	
		31 March 2016 (Unaudited)	31 December 2015	31 March 2016 (Unaudited)	31 December 2015
<i>(in thousand Baht)</i>					
<b>Equity</b>					
Share capital:					
Authorised share capital		436,951	436,951	436,951	436,951
Issued and paid-up share capital		432,625	432,625	432,625	432,625
Additional paid in capital:					
Premium on ordinary shares		2,138,104	2,138,104	2,138,104	2,138,104
Warrants	11	24,213	20,004	24,213	20,004
Retained earnings					
Appropriated					
Legal reserve		49,088	49,088	43,695	43,695
Corporate social responsibility reserve	12	23,970	23,400	23,970	23,400
Unappropriated		1,953,163	1,839,761	693,978	609,084
Other components of equity		(159,139)	(168,292)	-	-
<b>Equity attributable to owners</b>					
<b>of the Company</b>					
		<b>4,462,024</b>	<b>4,334,690</b>	<b>3,356,585</b>	<b>3,266,912</b>
Non-controlling interests		82	(22)	-	-
<b>Total equity</b>		<b>4,462,106</b>	<b>4,334,668</b>	<b>3,356,585</b>	<b>3,266,912</b>
<b>Total liabilities and equity</b>		<b>7,338,548</b>	<b>7,612,547</b>	<b>4,008,247</b>	<b>4,031,260</b>

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 31 March		Three-month period ended 31 March	
		2016	2015	2016	2015
<i>(in thousand Baht)</i>					
<b>Income</b>					
Revenue from sales of goods and rendering of services	13	1,957,381	1,804,837	609,445	523,364
Investment income		3,578	7,964	3,226	7,927
Other income		3,839	7,359	2,328	3,572
<b>Total income</b>		<b>1,964,798</b>	<b>1,820,160</b>	<b>614,999</b>	<b>534,863</b>
<b>Expenses</b>					
Cost of sales of goods and rendering of services		1,190,036	1,062,892	346,984	294,479
Selling expenses		338,289	372,237	62,630	60,552
Administrative expenses		258,589	228,692	85,420	62,206
Net foreign exchange loss		26,544	28,160	22,470	13,706
Finance costs		3,446	2,495	1,543	1,589
<b>Total expenses</b>		<b>1,816,904</b>	<b>1,694,476</b>	<b>519,047</b>	<b>432,532</b>
<b>Profit before income tax expense</b>		<b>147,894</b>	<b>125,684</b>	<b>95,952</b>	<b>102,331</b>
Income tax expense	14	(33,820)	(19,213)	(10,488)	(4,024)
<b>Profit for the period</b>		<b>114,074</b>	<b>106,471</b>	<b>85,464</b>	<b>98,307</b>
<b>Other comprehensive income</b>					
<i>Item that is or may be reclassified to profit or loss</i>					
Foreign currency translation differences for foreign operations		9,155	(49,973)	-	-
<b>Other comprehensive income (loss) for the period, net of income tax</b>		<b>9,155</b>	<b>(49,973)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>123,229</b>	<b>56,498</b>	<b>85,464</b>	<b>98,307</b>
<b>Profit attributable to:</b>					
Owners of the Company		113,972	106,487	85,464	98,307
Non-controlling interests		102	(16)	-	-
<b>Profit for the period</b>		<b>114,074</b>	<b>106,471</b>	<b>85,464</b>	<b>98,307</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		123,125	56,513	85,464	98,307
Non-controlling interests		104	(15)	-	-
<b>Total comprehensive income for the period</b>		<b>123,229</b>	<b>56,498</b>	<b>85,464</b>	<b>98,307</b>
<b>Basic and diluted earnings per share (in Baht)</b>	15	<b>0.13</b>	<b>0.12</b>	<b>0.10</b>	<b>0.11</b>

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)**

<b>Consolidated financial statements</b>											
Retained earnings											
Other component of equity											
Note	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	Total equity
<b>Three-month period ended 31 March 2015</b>											
<b>Balance at 1 January 2015</b>											
	432,625	2,138,104	8,431	49,088	10,000	1,507,232	(167,200)	(167,200)	3,978,280	(18)	3,978,262
<b>Transactions with owners, recorded directly in equity</b>											
<i>Contributions by and distributions to owners of the Company</i>											
Share-based payment transactions	-	-	2,813	-	-	-	-	-	2,813	-	2,813
<b>Total transactions with owners, recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>2,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,813</b>	<b>-</b>	<b>2,813</b>
<b>Comprehensive income for the period</b>											
Profit	-	-	-	-	-	106,487	-	-	106,487	(16)	106,471
Other comprehensive income	-	-	-	-	-	-	(49,974)	(49,974)	(49,974)	1	(49,973)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106,487</b>	<b>(49,974)</b>	<b>(49,974)</b>	<b>56,513</b>	<b>(15)</b>	<b>56,498</b>
Transfer to corporate social responsibility reserve	-	-	-	-	2,100	(2,100)	-	-	-	-	-
Utilisation of corporate social responsibility reserve	-	-	-	-	(500)	-	-	-	(500)	-	(500)
<b>Balance at 31 March 2015</b>	<b>432,625</b>	<b>2,138,104</b>	<b>11,244</b>	<b>49,088</b>	<b>11,600</b>	<b>1,611,619</b>	<b>(217,174)</b>	<b>(217,174)</b>	<b>4,037,106</b>	<b>(33)</b>	<b>4,037,073</b>

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)**

<b>Consolidated financial statements</b>												
	Retained earnings						Other component of 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	Total equity	
<i>Note</i>	<i>(in thousand Baht)</i>											
<b>Three-month period ended 31 March 2016</b>												
<b>Balance at 1 January 2016</b>	<b>432,625</b>	<b>2,138,104</b>	<b>20,004</b>	<b>49,088</b>	<b>23,400</b>	<b>1,839,761</b>	<b>(168,292)</b>	<b>(168,292)</b>	<b>4,334,690</b>	<b>(22)</b>	<b>4,334,668</b>	
<b>Transactions with owners, recorded directly in equity</b>												
<i>Contributions by and distributions to owners of the Company</i>												
Share-based payment transactions	11	-	-	4,209	-	-	-	-	-	4,209	-	4,209
<b>Total transactions with owners, recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>4,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,209</b>	<b>-</b>	<b>4,209</b>
<b>Comprehensive income for the period</b>												
Profit		-	-	-	-	113,972	-	-	113,972	102	114,074	
Foreign currency translation differences		-	-	-	-	-	9,153	9,153	9,153	2	9,155	
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,972</b>	<b>9,153</b>	<b>9,153</b>	<b>123,125</b>	<b>104</b>	<b>123,229</b>	
Transfer to corporate social responsibility reserve	12	-	-	-	570	(570)	-	-	-	-	-	
<b>Balance at 31 March 2016</b>		<b>432,625</b>	<b>2,138,104</b>	<b>24,213</b>	<b>49,088</b>	<b>23,970</b>	<b>1,953,163</b>	<b>(159,139)</b>	<b>(159,139)</b>	<b>4,462,024</b>	<b>82</b>	<b>4,462,106</b>

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)**

		Separate financial statements						
		Retained earnings						
	Note	Issued and paid-up share capital	Share premium	Warrants	Legal reserve <i>(in thousand Baht)</i>	Corporate social responsibility reserve	Unappropriated	Total equity
<b>Three-month period ended 31 March 2015</b>								
<b>Balance at 1 January 2015</b>		432,625	2,138,104	8,431	43,695	10,000	443,771	3,076,626
<b>Transactions with owners, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of the Company</i>								
Share-based payment transactions	11	-	-	2,813	-	-	-	2,813
<b>Total transactions with owners, recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>2,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,813</b>
<b>Comprehensive income for the period</b>								
Profit		-	-	-	-	-	98,307	98,307
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,307</b>	<b>98,307</b>
Transfer to corporate social responsibility reserve	12	-	-	-	-	2,100	(2,100)	-
Utilisation of corporate social responsibility reserve	12	-	-	-	-	(500)	-	(500)
<b>Balance at 31 March 2015</b>		<b>432,625</b>	<b>2,138,104</b>	<b>11,244</b>	<b>43,695</b>	<b>11,600</b>	<b>539,978</b>	<b>3,177,246</b>
<b>Three-month period ended 31 March 2016</b>								
<b>Balance at 1 January 2016</b>		432,625	2,138,104	20,004	43,695	23,400	609,084	3,266,912
<b>Transactions with owners, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of the Company</i>								
Share-based payment transactions	11	-	-	4,209	-	-	-	4,209
<b>Total transactions with owners, recorded directly in equity</b>		<b>-</b>	<b>-</b>	<b>4,209</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,209</b>
<b>Comprehensive income for the period</b>								
Profit		-	-	-	-	-	85,464	85,464
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>85,464</b>	<b>85,464</b>
Transfer to corporate social responsibility reserve	12	-	-	-	-	570	(570)	-
<b>Balance at 31 March 2016</b>		<b>432,625</b>	<b>2,138,104</b>	<b>24,213</b>	<b>43,695</b>	<b>23,970</b>	<b>693,978</b>	<b>3,356,585</b>

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

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Statement of cash flows (Unaudited)

	<i>Note</i>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		Three-month period ended		Three-month period ended	
		31 March		31 March	
		2016	2015	2016	2015
<i>(in thousand Baht)</i>					
<b><i>Cash flows from operating activities</i></b>					
Profit for the period		114,074	106,471	85,464	98,307
<i>Adjustments for</i>					
Depreciation		35,657	33,458	18,051	17,613
Amortisation of intangible assets		1,814	1,952	322	209
Allowance for (reversal of) decline in value of inventories		6,286	2,419	(3,027)	(547)
Investment income		(3,578)	(7,964)	(3,226)	(7,927)
Finance costs		3,446	2,495	1,543	1,589
Allowance for doubtful accounts	5	583	914	330	270
Unrealised loss on exchange rate		67,255	35,458	49,408	17,223
Gain on disposal of property, plant and equipment		(161)	(7)	-	-
Employee benefit obligations		3,941	3,814	2,161	2,638
Income tax expense	14	33,820	19,213	10,488	4,024
Share-based payment transactions	11	4,209	2,813	358	357
		<u>267,346</u>	<u>201,036</u>	<u>161,872</u>	<u>133,756</u>
<b><i>Changes in operating assets and liabilities</i></b>					
Trade accounts receivable		41,703	(67,152)	46,405	(88,872)
Other receivables		(3,869)	(28,362)	(3,553)	15,008
Inventories		123,605	16,029	40,884	(24,647)
Advances to suppliers and distributors		(11,460)	(13,376)	(6,079)	(9,234)
Other non-current assets		(33,389)	(2,155)	(33,304)	(1,784)
Trade accounts payable		(251,436)	23,909	(27,617)	(974)
Other payables		110,127	(39,228)	10,375	6,142
Accrued expenses		(12,937)	(24,922)	(21,811)	(3,984)
Other non-current liabilities		(16)	-	-	-
Utilisation of corporate social responsibility reserve	12	-	(500)	-	(500)
Employee benefit obligations paid		<u>(2,250)</u>	<u>(208)</u>	<u>(2,250)</u>	<u>-</u>
Cash generated from operating activities		227,424	65,071	164,922	24,911
Income tax paid		<u>(11,901)</u>	<u>(4,516)</u>	<u>(167)</u>	<u>(10)</u>
<b>Net cash from operating activities</b>		<b><u>215,523</u></b>	<b><u>60,555</u></b>	<b><u>164,755</u></b>	<b><u>24,901</u></b>

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

# Mega Lifesciences Public Company Limited and its Subsidiaries

## Statement of cash flows (Unaudited)

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	Three-month period ended 31 March		Three-month period ended 31 March	
<i>Note</i>	2016	2015	2016	2015
<i>(in thousand Baht)</i>				
<b><i>Cash flows from investing activities</i></b>				
Interest received	16,664	1,015	16,486	1,091
Purchase of property, plant and equipment	(14,145)	(57,586)	(8,649)	(6,775)
Purchase of intangible assets	-	(4,487)	-	-
Redemption of current investments	4	506,538	1,043	506,538
Sale of equipment	302	3,062	-	-
Investment in subsidiaries	7	-	-	(5,105)
<b>Net cash from (used in) investing activities</b>	<b>509,359</b>	<b>(56,953)</b>	<b>509,270</b>	<b>(5,684)</b>
<b><i>Cash flows from financing activities</i></b>				
Finance cost paid	(3,679)	(2,484)	(1,554)	(1,579)
Dividends paid	(944)	-	(944)	-
Finance lease payments	(2,113)	(60)	(20)	(18)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(197,147)	15,102	(59,997)	(25,422)
Receipt of short-term loan to related party	-	-	-	30,000
Repayment of borrowings	(19,154)	(19,667)	(11,757)	(12,276)
<b>Net cash used in financing activities</b>	<b>(223,037)</b>	<b>(7,109)</b>	<b>(74,272)</b>	<b>(9,295)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>				
	<b>501,845</b>	<b>(3,507)</b>	<b>599,753</b>	<b>9,922</b>
Cash and cash equivalents at 1 January	515,679	340,634	81,870	95,521
Effect of exchange rate changes on balances held in foreign currency	(1,502)	(4,579)	-	-
<b>Cash and cash equivalents at 31 March</b>	<b>1,016,022</b>	<b>332,548</b>	<b>681,623</b>	<b>105,443</b>

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 period ended 31 March 2016 (Unaudited)**

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**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2016 (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 12 May 2016.

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

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 consumer goods as well as the provision of distribution services relating to such products.

Details of the Company’s associate and subsidiaries as at 31 March 2016 are given in notes 3, 6 and 7.

**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 2014) *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 2015. 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 2015.

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 2015 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2016. 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.

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**(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 judgments and estimates**

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 2015.

**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 an associate and subsidiaries are described in note 6 and 7. Relationships with key management and other related parties were as follows:

<b>Name of entities</b>	<b>Country of incorporation/ nationality</b>	<b>Nature of relationships</b>
Unistretch Limited	Thailand	Ultimate parent of the Group
Al-Mayoni For Trading Services Ltd.	Yemen	Common shareholders
Magnus Pharmaceuticals 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
Mechai Pattana School	Thailand	Common Chairman
Key management personnel	Thai and Indian	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.

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

<b>Transactions</b>	<b>Pricing policies</b>
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 periods ended 31 March 2016 and 2015 with related parties were as follows:

<b>Three-month period ended 31 March</b>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Subsidiaries</b>				
Sale of goods and rendering of service	-	-	250,005	211,790
Purchase of goods and receiving of service	-	-	12,693	8,229
Commission expense	-	-	8,057	5,512
Interest expense	-	-	-	10
Interest income	-	-	-	113
Other income	-	-	569	66
Advertising expense	-	-	4,565	5,912
Support service expense	-	-	13,242	-
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefits	29,517	26,494	3,964	4,038
Post-employment benefits	297	331	190	236
Expense for employee stock option plan	72	72	72	72
<b>Total key management personnel compensation</b>	<b>29,886</b>	<b>26,897</b>	<b>4,226</b>	<b>4,346</b>
<b>Directors' remuneration</b>	<b>1,860</b>	<b>1,860</b>	<b>1,860</b>	<b>1,860</b>
<b>Other related parties</b>				
Sale of goods	8,215	10,239	8,215	10,239
Purchase of goods and receiving of services	3,073	3,729	1,699	1,597
Advertising expense	-	1,215	-	1,215
Business support charges	4,054	-	4,054	-
Donation	-	500	-	500

Balances as at 31 March 2016 and 31 December 2015 with related parties were as follows:

<b>Trade accounts receivable - related parties</b>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	508,180	527,424
Other related parties	38,720	36,626	38,720	36,626
<b>Total</b>	<b>38,720</b>	<b>36,626</b>	<b>546,900</b>	<b>564,050</b>

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<i>Other receivables - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	31	31	31	31
	March	December	March	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	3,676	12,120
Other related parties	3,774	106	2,838	-
<b>Total</b>	<b>3,774</b>	<b>106</b>	<b>6,514</b>	<b>12,120</b>

<i>Trade accounts payable - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	31	31	31	31
	March	December	March	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	19,560	17,668
<b>Total</b>	<b>-</b>	<b>-</b>	<b>19,560</b>	<b>17,668</b>

<i>Other payables - related parties</i>	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>		<b>financial statements</b>	
	31	31	31	31
	March	December	March	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	19,446	13,616
Other related parties	168	244	-	-
<b>Total</b>	<b>168</b>	<b>244</b>	<b>19,446</b>	<b>13,616</b>

***Significant agreements with related parties***

As at 31 March 2016, 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 25% of the sale value on a quarterly basis. This agreement is effective on 1 January 2015, and shall remain valid till it is changed and shall be co-terminous with the said agreements. The agreement shall be automatically renewed after one year with such terms as the parties may agree.



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

The Company has a supply agreement with Mega Lifesciences 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). This agreement is effective on the agreement date and shall be terminated by either party giving at least 30 days notice in writing to the other party.

*Support service agreement*

On 1 April 2015, the Company entered into a support service agreement with Mega Lifesciences Private Limited, a subsidiary, whereby Mega Lifesciences Private Limited agrees to provide, on a non-exclusive basis, the preparatory and auxiliary services including information collection, liaising and co-ordination. The Company has agreed to pay service fee at a mark-up of 13% on the operating costs incurred by Mega Lifesciences Private Limited on a quarterly basis. This agreement is effective on the agreement date and shall be terminated by either party giving at least 90 days notice in writing to the other party.

**4 Other investments**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	<i>(in thousand Baht)</i>			
<i>Current investments</i>				
Short-term deposits at financial institutions	444,573	951,111	444,573	951,111
<b>Total</b>	<b>444,573</b>	<b>951,111</b>	<b>444,573</b>	<b>951,111</b>

During the three-month period ended 31 March 2016, a fixed deposit at a financial institution of Baht 506.54 million was mature. The Company reinvested in a highly liquid investment and reclassified the investment from current investment to cash and cash equivalents.

**5 Trade accounts receivable**

		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		31 March 2016	31 December 2015	31 March 2016	31 December 2015
		<i>(in thousand Baht)</i>			
Related parties	3	38,720	36,626	546,900	564,050
Other parties		2,071,990	2,243,911	635,904	721,135
<b>Total</b>		<b>2,110,710</b>	<b>2,280,537</b>	<b>1,182,804</b>	<b>1,285,185</b>
Less allowance for doubtful accounts		(27,284)	(27,175)	(17,258)	(16,928)
<b>Net</b>		<b>2,083,426</b>	<b>2,253,362</b>	<b>1,165,546</b>	<b>1,268,257</b>
Bad and doubtful debts expense for the three-month period ended 31 March		<b>583</b>	<b>914</b>	<b>330</b>	<b>270</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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Aging analyses for trade accounts receivable are as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	31	31	31	31
	March	December	March	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b>Related parties</b>				
Within credit terms	15,945	19,247	416,263	384,309
Overdue:				
Less than 3 months	10,240	8,380	79,007	142,275
3 - 6 months	8,380	7,434	38,146	28,916
6 - 12 months	4,155	1,565	11,356	6,423
Over 12 months	-	-	2,128	2,127
	<b><u>38,720</u></b>	<b><u>36,626</u></b>	<b><u>546,900</u></b>	<b><u>564,050</u></b>
<b>Other parties</b>				
Within credit terms	1,433,804	1,640,695	320,448	503,796
Overdue:				
Less than 3 months	455,627	384,509	257,036	116,460
3 - 6 months	54,517	132,854	14,316	68,049
6 - 12 months	102,155	60,817	32,758	25,918
Over 12 months	25,887	25,036	11,346	6,912
	<b><u>2,071,990</u></b>	<b><u>2,243,911</u></b>	<b><u>635,904</u></b>	<b><u>721,135</u></b>
<i>Less allowance for doubtful accounts</i>	<i>(27,284)</i>	<i>(27,175)</i>	<i>(17,258)</i>	<i>(16,928)</i>
	<b><u>2,044,706</u></b>	<b><u>2,216,736</u></b>	<b><u>618,646</u></b>	<b><u>704,207</u></b>
<b>Net</b>	<b><u>2,083,426</u></b>	<b><u>2,253,362</u></b>	<b><u>1,165,546</u></b>	<b><u>1,268,257</u></b>

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

The aging is calculated by counting the age of trade accounts receivable from the day the Group delivers 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 commences and when the revenue is recognised. This results in an apparent high level of overdue trade accounts receivable.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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**6 Investments in associate**

Investments in an associate as at 31 March 2016 and 31 December 2015 were as follows:

		<b>Consolidated financial statements</b>								
Type of business	Country of Incorporation	Ownership interest		Paid-up capital		Cost		Equity		
		31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015	
		(%)				(in thousand Baht)				
<i>Indirect associate</i>										
Mega Product (Yemen) Limited	Distribution and marketing	Yemen	48.99	48.99	2,476	2,476	1,213	1,213	-	-
<b>Total</b>						<b>1,213</b>	<b>1,213</b>	<b>-</b>	<b>-</b>	

The Group has not recognised losses relating to certain investments accounted for using the equity method where its share of losses exceeds the carrying amount of those investments. As at 31 March 2016, the Group's cumulative share of unrecognised losses was Baht 5.94 million (31 December 2015: Baht 5.93 million), of which the Group's share of losses for the three-month period ended 31 March 2016 was Baht 0.01 million (31 March 2015: losses of Baht 0.79 million). The Group has no obligation in respect of these losses.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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**7 Investments in subsidiaries**

	<b>Separate financial statements</b>	
	2016	2015
	<i>(in thousand Baht)</i>	
At 1 January	71,574	59,923
Increase	8,956	2,456
<b>At 31 March</b>	<b><u>80,530</u></b>	<b><u>62,379</u></b>
<b>At 31 December</b>		<b><u>71,574</u></b>

***Employee stock option plan***

Additional investments in subsidiaries of Baht 3.9 million resulted from Employee Stock Option Plan granted to employees of the Company's subsidiaries during the three-month period ended 31 March 2016 (2015: Baht 2.5 million) (see note 11).

***Additional investment in direct subsidiaries***

During the three-month period ended 31 March 2016, the Company made an additional investment of Baht 4.6 million in the issued and paid up capital of Mega We Care Limited, a direct subsidiary in Thailand, in order to expand the business.

During the three-month period ended 31 March 2016, the Company made an additional investment of Baht 0.5 million in the issued and paid up capital of Mega Lifesciences Limited, a direct subsidiary in Ukraine, in order to expand the business.

***Additional investment in indirect subsidiaries***

During March 2015, Mega Lifesciences PTY Limited (Thailand), a subsidiary, made an additional investment of Baht 38.9 million in the issued and paid up capital of Mega Lifesciences (Australia) Pty. Limited, an indirect subsidiary of the Company, in order to expand the business.

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Investments in subsidiaries as at 31 March 2016 and 31 December 2015 and dividend income from those investments for the three-month periods ended 31 March 2016 and 2015 were as follows:

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 March 2015
			(%)				<i>(in thousand Baht)</i>			
<b><i>Direct subsidiaries</i></b>										
Mega Lifesciences PTY Limited	Branded products and distribution business	Thailand	99.99	99.99	50,000	50,000	71,585	67,734	-	-
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	4,900	340	4,900	340	-	-
Mega Lifesciences Limited	Branded products business	Ukraine	100.00	100.00	2,049	1,504	2,049	1,504	-	-
<b>Total</b>							<b>80,530</b>	<b>71,574</b>	<b>-</b>	<b>-</b>
<b><i>Indirect subsidiaries (investment through Mega Lifesciences PTY Limited)</i></b>										
Mega Lifesciences (Australia) Pty. Limited	Branded and OEM products business	Australia	99.99	99.99	468,294	468,294	469,187	469,065	-	-
Mega Lifesciences (Vietnam) Limited	Branded products and distribution business	Vietnam	99.99	99.99	107,959	107,959	109,744	108,595	-	-
Mega Lifesciences Sdn.Bhd	Branded products business	Malaysia	99.99	99.99	17,214	17,214	17,476	17,440	-	-
PT Mega Lifesciences	Branded products business	Indonesia	98.99	98.99	15,163	15,163	15,012	15,012	-	-

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 March 2015
			(%)				<i>(in thousand Baht)</i>			
Mega Lifesciences PTY Limited	Branded products and distribution business	Cambodia	99.99	99.99	15,281	15,281	16,593	16,414	-	-
Mega Lifesciences Nigeria Limited	Branded products and distribution business	Nigeria	99.99	99.99	14,885	14,885	15,988	15,837	-	-
Mega Lifesciences Ghana Limited	Branded products business	Ghana	99.99	99.99	9,469	9,469	9,732	9,696	-	-
Mega Lifesciences Private Limited	Branded products business	India	99.99	99.99	4,777	4,777	5,827	5,684	-	-
Mega Lifesciences Limited	Distribution business	Myanmar	99.99	99.99	2,534	2,534	6,641	6,081	-	-
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	2,090	1,861	-	-
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	624	552	-	-
<b>Total</b>							<b>669,569</b>	<b>666,892</b>	<b>-</b>	<b>-</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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**8 Property, plant and equipment**

Acquisitions, disposals and transfers of property, plant and equipment during the three-month periods ended 31 March 2016 and 2015 were as follows:

<i>Three-month period ended 31 March</i>	<b>Consolidated financial statements</b>			
	2016		2015	
	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	-	-	37,455	-
Building and building improvements	2,070	-	6,247	-
Leasehold improvements	687	-	1,724	101
Machinery and equipment	6,313	-	39,459	-
Furniture, fixtures and office equipment	2,356	12	5,612	135
Vehicles	217	129	120	2,893
Assets under construction	4,116	1,614	4,700	37,731
Exchange difference	13,620	-	(35,224)	-
<b>Total</b>	<b>29,379</b>	<b>1,755</b>	<b>60,093</b>	<b>40,860</b>

<i>Three-month period ended 31 March</i>	<b>Separate financial statements</b>			
	2016		2015	
	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>			
Building and building improvements	1,760	-	4,984	-
Machinery and equipment	5,510	-	33,475	-
Furniture, fixtures and office equipment	100	-	1,300	-
Vehicles	-	-	47	-
Assets under construction	2,893	1,614	4,700	37,731
<b>Total</b>	<b>10,263</b>	<b>1,614</b>	<b>44,506</b>	<b>37,731</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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**9 Deferred tax**

Deferred tax assets and liabilities as at 31 March 2016 and 31 December 2015 were as follows:

<b>Consolidated financial statements</b>				
	<b>Assets</b>		<b>Liabilities</b>	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Total	313,815	342,269	(208,380)	(237,902)
Set off of tax	(207,533)	(236,553)	207,533	236,553
<b>Net deferred tax assets (liabilities)</b>	<b>106,282</b>	<b>105,716</b>	<b>(847)</b>	<b>(1,349)</b>

  

<b>Separate financial statements</b>				
	<b>Assets</b>		<b>Liabilities</b>	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Total	45,213	56,437	(11,893)	(18,527)
Set off of tax	(11,893)	(18,527)	11,893	18,527
<b>Net deferred tax assets</b>	<b>33,320</b>	<b>37,910</b>	<b>-</b>	<b>-</b>

Deferred tax assets arising from accounts receivable relate to export of finished goods from Thailand 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 three-month periods ended 31 March 2016 and 2015 were as follows:

	<b>Consolidated financial statements</b>			
	<b>At 1 January 2016</b>	(Charged) / Credited to: profit or loss (Note 14)	Exchange differences	<b>At 31 March 2016</b>
	<i>(in thousand Baht)</i>			
<b>Deferred tax assets</b>				
Accounts receivable	302,939	(27,614)	(43)	275,282
Provision for employee benefits	20,125	(1,364)	(2)	18,759
Loss carry forward	18,008	(1,657)	360	16,711
Others	1,197	1,789	77	3,063
<b>Total</b>	<b>342,269</b>	<b>(28,846)</b>	<b>392</b>	<b>313,815</b>
<b>Deferred tax liabilities</b>				
Inventories	234,398	(28,614)	-	205,784
Property, plant and equipment	3,504	(825)	(83)	2,596
<b>Total</b>	<b>237,902</b>	<b>(29,439)</b>	<b>(83)</b>	<b>208,380</b>
<b>Net</b>	<b>104,367</b>	<b>593</b>	<b>475</b>	<b>105,435</b>



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	<b>Consolidated financial statements</b>			
	<b>At 1 January 2015</b>	(Charged) / Credited to: profit or loss (Note 14) (in thousand Baht)	Exchange differences	<b>At 31 March 2015</b>
<i>Deferred tax assets</i>				
Accounts receivable	243,339	(9,225)	(50)	234,064
Provision for employee benefits	15,872	3,519	(322)	19,069
Loss carry forward	22,157	1,360	(1,582)	21,935
Others	2,507	(366)	(57)	2,084
<b>Total</b>	<b>283,875</b>	<b>(4,712)</b>	<b>(2,011)</b>	<b>277,152</b>
<i>Deferred tax liabilities</i>				
Inventories	189,920	(8,840)	-	181,080
Property, plant and equipment	3,416	(95)	(650)	2,671
<b>Total</b>	<b>193,336</b>	<b>(8,935)</b>	<b>(650)</b>	<b>183,751</b>
<b>Net</b>	<b>90,539</b>	<b>4,223</b>	<b>(1,361)</b>	<b>93,401</b>

	<b>Separate financial statements</b>			
	<b>At 1 January 2016</b>	(Charged) / Credited to : profit or loss (Note 14) (in thousand Baht)		<b>At 31 March 2016</b>
<i>Deferred tax assets</i>				
Accounts receivable	45,730	(11,260)		34,470
Provision for employee benefits	10,548	(18)		10,530
Others	159	54		213
<b>Total</b>	<b>56,437</b>	<b>(11,224)</b>		<b>45,213</b>
<i>Deferred tax liabilities</i>				
Inventories	18,527	(6,634)		11,893
<b>Total</b>	<b>18,527</b>	<b>(6,634)</b>		<b>11,893</b>
<b>Net</b>	<b>37,910</b>	<b>(4,590)</b>		<b>33,320</b>

	<b>Separate financial statements</b>			
	<b>At 1 January 2015</b>	(Charged) / Credited to : profit or loss (Note 14) (in thousand Baht)		<b>At 31 March 2015</b>
<i>Deferred tax assets</i>				
Accounts receivable	21,324	271		21,595
Provision for employee benefits	8,539	3,345		11,884
Others	120	125		245
<b>Total</b>	<b>29,983</b>	<b>3,741</b>		<b>33,724</b>
<i>Deferred tax liabilities</i>				
Inventories	8,681	(34)		8,647
<b>Total</b>	<b>8,681</b>	<b>(34)</b>		<b>8,647</b>
<b>Net</b>	<b>21,302</b>	<b>3,775</b>		<b>25,077</b>

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**10 Trade accounts payable**

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		31 March 2016	31 December 2015	31 March 2016	31 December 2015
		<i>(in thousand Baht)</i>			
Related parties	3	-	-	19,560	17,668
Other parties		1,313,020	1,604,214	122,789	152,848
<b>Total</b>		<b>1,313,020</b>	<b>1,604,214</b>	<b>142,349</b>	<b>170,516</b>

**11 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 assistant 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

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The Group measured fair value of options using Black-Scholes model based on number of employees in employment on the reporting date to whom warrants have been awarded 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 follows:

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 follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<b><i>Statement of financial position as at 31 March 2016/ 31 December 2015</i></b>				
Investments in subsidiaries	-	-	21,589	17,738
Warrants	(24,213)	(20,004)	(24,213)	(20,004)
<b><i>Statement of comprehensive income for the three-month periods ended 31 March</i></b>				
Administrative expenses	4,209	2,813	358	357

## **12 Corporate social responsibility reserve**

The shareholders 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 during the three-month period ended 31 March 2016 of Baht 0.6 million in the consolidated and separate financial statements (*31 March 2015: Baht 2.1 million*). During the three-month period ended 31 March 2015, the Company donated an amount of Baht 0.5 million to Mechai Pattana School and reduced such amount from the corporate social responsibility reserve in the consolidated and separate statements of changes in equity.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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**13 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.

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**  
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*Information about reportable segments:*

<i>Three-month period ended 31 March</i>	<b>Brand</b>		<b>Distribution</b>		<b>OEM</b>		<b>Total</b>	
	2016	2015	2016	2015	2016	2015	2016	2015
	<i>(in thousand Baht)</i>							
External revenue	922,798	877,736	954,001	822,978	80,582	104,123	1,957,381	1,804,837
Inter-segment revenue	(35,493)	(33,195)	35,493	33,195	-	-	-	-
Other income	2,178	2,852	1,250	1,668	72	-	3,500	4,520
<b>Total segment revenue</b>	<b>889,483</b>	<b>847,393</b>	<b>990,744</b>	<b>857,841</b>	<b>80,654</b>	<b>104,123</b>	<b>1,960,881</b>	<b>1,809,357</b>
<b>Segment profit before income tax</b>	<b>139,696</b>	<b>155,796</b>	<b>114,701</b>	<b>48,641</b>	<b>7,872</b>	<b>15,625</b>	<b>262,269</b>	<b>220,062</b>
<b>Segment assets as at 31 March/ 31 December</b>	<b>2,123,358</b>	<b>2,376,830</b>	<b>1,887,275</b>	<b>1,883,955</b>	<b>193,062</b>	<b>244,592</b>	<b>4,203,695</b>	<b>4,505,377</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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*Reconciliation of reportable segment profit or loss and assets*

*Three-month period ended 31 March*

	2016	2015
	<i>(in thousand Baht)</i>	
<b>Profit or loss</b>		
Total profit for reportable segments	262,269	220,062
Unallocated amounts:		
Other corporate expenses	(77,375)	(67,276)
Depreciation and amortization	(37,471)	(35,410)
Finance costs	(3,446)	(2,495)
Investment income	3,578	7,964
Other income	339	2,839
Income tax expense	(33,820)	(19,213)
<b>Consolidated profit</b>	<b>114,074</b>	<b>106,471</b>
	31 March	31 December
	2016	2015
	<i>(in thousand Baht)</i>	
<b>Assets</b>		
Total assets for reportable segments	4,203,695	4,505,377
Other unallocated amounts	3,134,853	3,107,170
<b>Consolidated total assets</b>	<b>7,338,548</b>	<b>7,612,547</b>

**14 Income tax expense**

*Income tax recognised in profit or loss*

<i>Three-month period ended 31 March</i>	<i>Note</i>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
<b>Current tax expense</b>					
Current period		34,413	23,819	5,898	7,799
Adjustment for prior periods		-	(383)	-	-
		<b>34,413</b>	<b>23,436</b>	<b>5,898</b>	<b>7,799</b>
<b>Deferred income tax</b>					
Movements in temporary differences	9	(593)	(4,223)	4,590	(3,775)
<b>Total income tax expense</b>		<b>33,820</b>	<b>19,213</b>	<b>10,488</b>	<b>4,024</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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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, allowance for obsolescence and temporally difference arising from revenue and cost of sale of export of finished goods from Thailand to other countries for which tax becomes payable upon export of the goods but for which revenue and cost of sale are recognised in the statement of income subsequently at the moment the goods are sold to third parties outside the Group.

**15 Earnings per share**

The calculations of basic earnings per share for the three-month periods ended 31 March 2016 and 2015 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:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2016	2015	2016	2015
<i>Three-month period ended 31 March</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	<u>113,972</u>	<u>106,487</u>	<u>85,464</u>	<u>98,307</u>
Weighted average number of ordinary shares outstanding	<u>865,249</u>	<u>865,249</u>	<u>865,249</u>	<u>865,249</u>
<b>Basic and diluted earnings per share (in Baht)</b>	<b><u>0.13</u></b>	<b><u>0.12</u></b>	<b><u>0.10</u></b>	<b><u>0.11</u></b>

*Diluted earnings per share*

During the year 2014, the Company issued the warrants for employees (note 11). The issue of warrants does 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.

**16 Financial instruments**

*Carrying amounts and fair values*

The following table shows the carrying amounts and fair values of financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	Carrying amount	Fair value <i>(in thousand Baht)</i>	Carrying amount	Fair value
Finance lease liabilities	23,903	22,521	49	49

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**17 Commitments and contingent liabilities with non-related parties**

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2016	31 December 2015 <i>(in thousand Baht)</i>	31 March 2016	31 December 2015
<b><i>Capital commitments</i></b>				
Contracted but not provided for:				
Land	227,080	94,080	227,080	94,080
Buildings and other constructions	47,878	49,150	38,878	49,150
Vehicles	-	5,289	-	-
<b>Total</b>	<b><u>274,958</u></b>	<b><u>148,519</u></b>	<b><u>265,958</u></b>	<b><u>143,230</u></b>
<b><i>Future minimum lease payments under non-cancellable operating leases</i></b>				
Within one year	40,289	39,417	6,197	7,097
After one year but within five years	34,622	39,151	8,845	10,319
<b>Total</b>	<b><u>74,911</u></b>	<b><u>78,568</u></b>	<b><u>15,042</u></b>	<b><u>17,416</u></b>
<b><i>Other commitments</i></b>				
Purchase orders for goods and supplies	87,557	123,315	87,557	123,315
Bank guarantees	45,929	46,779	45,929	46,779
<b>Total</b>	<b><u>133,486</u></b>	<b><u>170,094</u></b>	<b><u>133,486</u></b>	<b><u>170,094</u></b>

***Operating lease agreements***

The Group has various operating lease agreements for office and warehouse rental. The period of agreements is variable from 6 months to 4 years.



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
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*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 31 March 2016, 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 1,225 million and U.S. Dollars 13 million (*31 December 2015: Baht 1,225 million and U.S. Dollars 13 million*).

**18 Events after the reporting period**

At the Annual General Meeting of shareholders of the Company held on 11 April 2016, the shareholders approved the appropriation of dividends of Baht 0.24 per share, amounting to Baht 207.70 million. The dividends were paid to shareholders during April 2016.

**19 Reclassification of accounts**

Certain accounts in the 2015 financial statements have been reclassified to conform to the presentation in the 2016 financial statements. The significant reclassifications were as follows:

	<b>2015</b>					
	<b>Consolidated financial statements</b>			<b>Separate financial statements</b>		
	Before reclass.	Reclass.	After reclass.	Before reclass.	Reclass.	After reclass.
						<i>(in thousand Baht)</i>
<b><i>Statement of comprehensive income</i></b>						
Revenue from sales of goods and rendering of services	(1,803,622)	(1,215)	(1,804,837)	(522,149)	(1,215)	523,364
Cost of sales of goods and rendering of services	1,058,431	4,461	1,062,892	-	-	-
Selling expenses	371,022	1,215	372,237	59,337	1,215	60,552
Administrative expenses	233,153	<u>(4,461)</u>	228,692	-	<u>-</u>	-
		<u>-</u>			<u>-</u>	

The reclassifications have been made because, in the opinion of management, the new classification is more appropriate to the Group's business.