

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

Interim financial statements
for the three-month and nine-month periods ended
30 September 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 30 September 2016; the consolidated and separate statements of comprehensive income for the three-month and nine-month periods ended 30 September 2016; the consolidated and separate statements of changes in equity and cash flows for the nine-month period ended 30 September 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
10 November 2016

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 September 2016 (Unaudited)	31 December 2015	30 September 2016 (Unaudited)	31 December 2015
<i>(in thousand Baht)</i>					
Assets					
<i>Current assets</i>					
Cash and cash equivalents		809,240	515,679	413,105	81,870
Current investments	4	650,938	951,111	650,938	951,111
Trade accounts receivable	3, 5	1,923,553	2,263,093	1,087,014	1,268,257
Other receivables	3	168,563	182,750	56,615	55,327
Inventories		1,974,577	2,066,616	577,614	625,518
Advances to suppliers and distributors		154,252	187,489	36,259	53,799
Restricted deposit at financial institution		16,195	-	-	-
Total current assets		5,697,318	6,166,738	2,821,545	3,035,882
<i>Non-current assets</i>					
Investments in associate	6	-	-	-	-
Investments in subsidiaries	7, 13	-	-	89,417	71,574
Property, plant and equipment	8	1,169,257	1,031,495	782,099	629,961
Intangible assets		239,262	232,700	193,618	191,429
Prepaid rent for leased land	9	144,865	-	-	-
Deferred tax assets	10	100,966	105,716	34,768	37,910
Other non-current assets	11	120,323	73,392	111,598	64,504
Total non-current assets		1,774,673	1,443,303	1,211,500	995,378
Total assets		7,471,991	7,610,041	4,033,045	4,031,260

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

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 September 2016 (Unaudited)	31 December 2015	30 September 2016 (Unaudited)	31 December 2015
<i>(in thousand Baht)</i>					
Liabilities and equity					
<i>Current liabilities</i>					
Bank overdrafts and short-term loans from financial institutions		562,876	543,270	280,607	264,041
Trade accounts payable	3, 12	1,519,833	1,602,895	207,877	170,516
Other payables	3	359,426	332,352	80,639	75,612
Current portion of long-term loans from financial institutions		46,175	82,543	46,175	48,435
Current portion of finance lease liabilities		9,149	8,421	7	69
Income tax payable		35,329	80,143	14,574	30,116
Accrued expenses		434,072	443,111	71,758	74,819
Total current liabilities		2,966,860	3,092,735	701,637	663,608
<i>Non-current liabilities</i>					
Long-term loans from financial institutions		-	67,954	-	48,000
Finance lease liabilities		9,432	16,318	-	-
Deferred tax liabilities	10	640	1,349	-	-
Employee benefit obligation		96,212	94,422	56,937	52,740
Other non-current liabilities		2,467	2,595	-	-
Total non-current liabilities		108,751	182,638	56,937	100,740
Total liabilities		3,075,611	3,275,373	758,574	764,348

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

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

		Consolidated		Separate	
		financial statements		financial statements	
		30 September	31 December	30 September	31 December
Liabilities and equity	<i>Note</i>	2016	2015	2016	2015
		(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		432,625	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	<i>13</i>	30,816	20,004	30,816	20,004
Retained earnings					
Appropriated					
Legal reserve		49,088	49,088	43,695	43,695
Corporate social responsibility reserve	<i>14</i>	25,060	23,400	25,060	23,400
Unappropriated		1,931,374	1,839,761	604,171	609,084
Other components of equity		(210,693)	(168,292)	-	-
Equity attributable to owners					
of the Company					
		4,396,374	4,334,690	3,274,471	3,266,912
Non-controlling interests		6	(22)	-	-
Total equity		4,396,380	4,334,668	3,274,471	3,266,912
Total liabilities and equity		7,471,991	7,610,041	4,033,045	4,031,260

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 30 September		Three-month period ended 30 September	
		2016	2015	2016	2015
<i>(in thousand Baht)</i>					
Income					
Revenue from sales of goods and rendering of services	15	2,175,597	1,885,493	702,931	659,269
Investment income		3,662	6,890	2,723	6,790
Net foreign exchange gain		-	96,970	-	69,977
Other income		5,016	6,672	2,823	4,734
Total income		2,184,275	1,996,025	708,477	740,770
Expenses					
Cost of sales of goods and rendering of services		1,280,446	1,078,671	347,931	323,717
Selling expenses		431,173	481,234	99,500	135,237
Administrative expenses		252,277	257,406	80,576	80,602
Net foreign exchange loss		19,871	-	12,800	-
Finance costs		6,816	3,455	1,301	1,953
Total expenses		1,990,583	1,820,766	542,108	541,509
Profit before income tax expense		193,692	175,259	166,369	199,261
Income tax expense		(25,839)	(22,746)	(10,044)	(15,486)
Profit for the period		167,853	152,513	156,325	183,775
Other comprehensive income					
<i>Item that is or may be reclassified to profit or loss</i>					
Foreign currency translation differences for foreign operations		(33,078)	18,096	-	-
Other comprehensive income (loss) for the period net of income tax		(33,078)	18,096	-	-
Total comprehensive income for the period		134,775	170,609	156,325	183,775
Profit attributable to:					
Owners of the Company		167,892	152,493	156,325	183,775
Non-controlling interests		(39)	20	-	-
Profit for the period		167,853	152,513	156,325	183,775
Total comprehensive income attributable to:					
Owners of the Company		134,813	170,591	156,325	183,775
Non-controlling interests		(38)	18	-	-
Total comprehensive income for the period		134,775	170,609	156,325	183,775
Basic and diluted earnings per share (in Baht)	17	0.19	0.18	0.18	0.21

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

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

		Consolidated		Separate	
		financial statements		financial statements	
		Nine-month period ended		Nine-month period ended	
		30 September		30 September	
<i>Note</i>	2016	2015	2016	2015	
	<i>(in thousand Baht)</i>				
Income					
Revenue from sales of goods and rendering of services	15	6,214,731	5,662,696	2,035,934	1,816,529
Investment income	7	11,332	22,134	9,157	21,766
Net foreign exchange gain		-	102,374	-	87,636
Other income		13,349	17,264	7,731	9,798
Total income		6,239,412	5,804,468	2,052,822	1,935,729
Expenses					
Cost of sales of goods and rendering of services		3,634,138	3,256,904	1,088,279	974,244
Selling expenses		1,145,318	1,277,366	247,292	287,347
Administrative expenses		774,598	757,446	246,836	235,732
Net foreign exchange loss		81,823	-	31,412	-
Finance costs		14,724	9,239	4,290	5,330
Total expenses		5,650,601	5,300,955	1,618,109	1,502,653
Profit before income tax expense		588,811	503,513	434,713	433,076
Income tax expense	16	(88,846)	(79,021)	(31,299)	(26,497)
Profit for the period		499,965	424,492	403,414	406,579
Other comprehensive income					
<i>Item that is or may be reclassified to profit or loss</i>					
Foreign currency translation differences for foreign operations		(42,398)	(3,955)	-	-
Other comprehensive income (loss) for the period net of income tax		(42,398)	(3,955)	-	-
Total comprehensive income for the period		457,567	420,537	403,414	406,579
Profit attributable to:					
Owners of the Company		499,940	424,472	403,414	406,579
Non-controlling interests		25	20	-	-
Profit for the period		499,965	424,492	403,414	406,579
Total comprehensive income attributable to:					
Owners of the Company		457,539	420,519	403,414	406,579
Non-controlling interests		28	18	-	-
Total comprehensive income for the period		457,567	420,537	403,414	406,579
Basic and diluted earnings per share (in Baht)	17	0.58	0.49	0.47	0.47

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

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

		Consolidated financial statements									
		Retained earnings					Other component of equity				
		Corporate social responsibility reserve		Unappropriated		Currency translation differences		Equity attributable to owners of the Company		Non-controlling interests	Total equity
Note	Issued and paid-up share capital	Share premium	Warrants	Legal reserve	reserve	reserve	differences	of the Company	interests	equity	
<i>(in thousand Baht)</i>											
Nine-month period ended 30 September 2015											
	Balance at 1 January 2015	432,625	2,138,104	8,431	49,088	10,000	1,507,232	(167,200)	3,978,280	(18)	3,978,262
Transactions with owners, recorded directly in equity											
<i>Contributions by and distributions to owners of the Company</i>											
	Dividends to owners of the Company	18	-	-	-	-	(354,752)	-	(354,752)	-	(354,752)
	Share-based payment transactions	13	-	8,414	-	-	-	-	8,414	-	8,414
	Total transactions with owners, recorded directly in equity	-	-	8,414	-	-	(354,752)	-	(346,338)	-	(346,338)
Comprehensive income for the period											
	Profit	-	-	-	-	424,472	-	424,472	20	424,492	
	Other comprehensive income	-	-	-	-	-	(3,953)	(3,953)	(2)	(3,955)	
	Total comprehensive income for the period	-	-	-	-	424,472	(3,953)	420,519	18	420,537	
	Transfer to corporate social responsibility reserve	14	-	-	-	8,500	(8,500)	-	-	-	-
	Utilisation of corporate social responsibility reserve	14	-	-	-	(500)	-	-	(500)	-	(500)
	Balance at 30 September 2015	432,625	2,138,104	16,845	49,088	18,000	1,568,452	(171,153)	4,051,961	-	4,051,961

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											
(in thousand Baht)											
	Note	Issued and paid-up share capital	Share premium	Warrants	Retained earnings			Other component of equity	Equity attributable to		Total equity
					Legal reserve	Corporate social responsibility reserve	Unappropriated	Currency translation differences	owners of the Company	Non-controlling interests	
Nine-month period ended 30 September 2016											
Balance at 1 January 2016		432,625	2,138,104	20,004	49,088	23,400	1,839,761	(168,292)	4,334,690	(22)	4,334,668
Transactions with owners, recorded directly in equity											
<i>Contributions by and distributions to owners of the Company</i>											
Dividends to owners of the Company	18	-	-	-	-	-	(406,667)	-	(406,667)	-	(406,667)
Share-based payment transactions	13	-	-	10,812	-	-	-	-	10,812	-	10,812
Total transactions with owners, recorded directly in equity		-	-	10,812	-	-	(406,667)	-	(395,855)	-	(395,855)
Comprehensive income for the period											
Profit		-	-	-	-	-	499,940	-	499,940	25	499,965
Other comprehensive income		-	-	-	-	-	-	(42,401)	(42,401)	3	(42,398)
Total comprehensive income for the period		-	-	-	-	-	499,940	(42,401)	457,539	28	457,567
Transfer to corporate social responsibility reserve	14	-	-	-	-	1,660	(1,660)	-	-	-	-
Balance at 30 September 2016		432,625	2,138,104	30,816	49,088	25,060	1,931,374	(210,693)	4,396,374	6	4,396,380

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	Corporate social responsibility reserve	Unappropriated	
<i>(in thousand Baht)</i>								
Nine-month period ended 30 September 2015								
Balance at 1 January 2015		432,625	2,138,104	8,431	43,695	10,000	443,771	3,076,626
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners of the Company</i>								
Dividends to owners of the Company	18	-	-	-	-	-	(354,752)	(354,752)
Share-based payment transactions	13	-	-	8,414	-	-	-	8,414
Total transactions with owners, recorded directly in equity		-	-	8,414	-	-	(354,752)	(346,338)
Comprehensive income for the period								
Profit		-	-	-	-	-	406,579	406,579
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-	406,579	406,579
Transfer to corporate social responsibility reserve	14	-	-	-	-	8,500	(8,500)	-
Utilisation of corporate social responsibility reserve	14	-	-	-	-	(500)	-	(500)
Balance at 30 September 2015		432,625	2,138,104	16,845	43,695	18,000	487,098	3,136,367

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	Corporate social responsibility reserve	Unappropriated	
<i>(in thousand Baht)</i>								
Nine-month period ended 30 September 2016								
Balance at 1 January 2016		432,625	2,138,104	20,004	43,695	23,400	609,084	3,266,912
Transactions with owners, recorded directly in equity								
<i>Contributions by and distributions to owners of the Company</i>								
Dividends to owners of the Company	18	-	-	-	-	-	(406,667)	(406,667)
Share-based payment transactions	13	-	-	10,812	-	-	-	10,812
Total transactions with owners, recorded directly in equity		-	-	10,812	-	-	(406,667)	(395,855)
Comprehensive income for the period								
Profit		-	-	-	-	-	403,414	403,414
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-	403,414	403,414
Transfer to corporate social responsibility reserve	14	-	-	-	-	1,660	(1,660)	-
Balance at 30 September 2016		432,625	2,138,104	30,816	43,695	25,060	604,171	3,274,471

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>	Consolidated		Separate	
		financial statements		financial statements	
		Nine-month period ended		Nine-month period ended	
		30 September		30 September	
		2016	2015	2016	2015
<i>(in thousand Baht)</i>					
<i>Cash flows from operating activities</i>					
Profit for the period		499,965	424,492	403,414	406,579
<i>Adjustments for</i>					
Depreciation		105,842	99,654	54,214	50,640
Amortisation of intangible assets		5,493	5,805	989	773
(Reversal) allowance on decline in value of inventories		25,384	9,315	(290)	2,255
Investment income		(11,332)	(22,134)	(9,157)	(21,766)
Finance costs		14,724	9,239	4,290	5,330
Allowance for doubtful accounts	5	3,013	29,207	1,240	16,543
Unrealised (gain) loss on exchange rate		116,034	(60,184)	71,080	(54,114)
Gain on disposal of equipment		(355)	(149)	-	-
Employee benefit obligations		11,219	14,331	6,447	7,913
Share-based payment transaction	13	10,812	8,414	1,074	1,074
Income tax expense	16	88,846	79,021	31,299	26,497
		<u>869,645</u>	<u>597,011</u>	<u>564,600</u>	<u>441,724</u>
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		162,627	93,242	103,510	166,891
Other receivables		(376)	(49,940)	(17,478)	1,162
Inventories		41,839	(388,242)	48,194	(227,158)
Advances to suppliers and distributors		33,351	(26,610)	17,613	13,442
Restricted deposits at financial institutions		(16,195)	-	-	-
Other non-current assets		(47,033)	(2,677)	(47,094)	(1,784)
Trade accounts payable		(32,960)	54,227	38,865	9,151
Other payables		30,039	43,703	5,897	41,029
Accrued expenses		(7,103)	129,355	(3,048)	32,530
Other non-current liabilities		(46)	79	-	-
Utilisation of corporate social responsibility reserve	14	-	(500)	-	(500)
Employee benefit obligations paid		<u>(2,397)</u>	<u>-</u>	<u>(2,250)</u>	<u>-</u>
Cash generated from operating activities		<u>1,031,391</u>	<u>449,648</u>	<u>708,809</u>	<u>476,487</u>
Income tax paid		<u>(126,505)</u>	<u>(109,375)</u>	<u>(43,699)</u>	<u>(39,132)</u>
Net cash from operating activities		<u>904,886</u>	<u>340,273</u>	<u>665,110</u>	<u>437,355</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)

	<i>Note</i>	Consolidated		Separate	
		financial statements		financial statements	
		Nine-month period ended		Nine-month period ended	
		30 September		30 September	
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
<i>Cash flows from investing activities</i>					
Interest received		27,102	13,363	25,345	12,995
Purchase of property, plant and equipment		(247,479)	(129,234)	(206,352)	(41,544)
Prepaid rent for leased land	9	(150,991)	-	-	-
Investment in subsidiary	7	-	-	(8,105)	(586)
Receipt of short-term loan to related party		-	-	-	30,000
Purchase of intangible assets		(13,178)	(11,798)	(3,178)	(4,571)
Redemption of current investments		951,111	433,942	951,111	432,776
Purchase of current investments		(650,938)	(444,573)	(650,938)	(444,573)
Sale of equipment		621	4,688	-	-
Net cash from (used in) investing activities		<u>(83,752)</u>	<u>(133,612)</u>	<u>107,883</u>	<u>(15,503)</u>
<i>Cash flows from financing activities</i>					
Interest paid		(14,736)	(9,499)	(4,302)	(5,236)
Dividends paid		(407,364)	(354,752)	(407,364)	(354,752)
Finance lease payments		(6,249)	(789)	(62)	(55)
Increase (decrease) in bank overdrafts and short-term loans from financial institutions		21,142	165,762	16,657	(30,203)
Repayment of short-term loans from related party		-	-	-	(2,543)
Repayment of borrowings		(96,393)	(56,593)	(46,687)	(34,409)
Net cash used in financing activities		<u>(503,600)</u>	<u>(255,871)</u>	<u>(441,758)</u>	<u>(427,198)</u>
Net increase (decrease) in cash and cash equivalents		317,534	(49,210)	331,235	(5,346)
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		(23,973)	(2,697)	-	-
Cash and cash equivalents at 30 September		<u>809,240</u>	<u>288,727</u>	<u>413,105</u>	<u>90,175</u>
<i>Non-cash transactions</i>					
Acquisition of assets by means of finance lease		-	39,736	-	-

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 2016 (Unaudited)

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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 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 10 November 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 30 September 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 2015) *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:

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
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:

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 2016 and 2015 with related parties were as follows:

	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>Three-month period ended 30 September</i>				
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sale of goods and rendering of service	-	-	252,618	285,939
Purchase of goods or receiving of service	-	-	13,429	11,447
Commission expense	-	-	9,484	9,959
Interest expense	-	-	-	3
Other income	-	-	118	578
Advertising expenses	-	-	4,393	2,412
Support service expense	-	-	11,847	11,930
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	31,391	32,345	4,136	3,894
Post-employment benefits	297	331	190	236
Expense for employee stock option plan	72	72	72	72
Total key management personnel compensation	31,760	32,748	4,398	4,202
Directors' remuneration	1,860	1,860	1,860	1,860
Other related parties				
Sale of goods	10,706	4,102	10,706	4,102
Purchase of goods or receiving of services	2,753	3,623	1,711	2,398
Advertising expenses	-	1,733	-	1,733
Business support charges	3,487	-	3,487	-

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<i>Nine-month period ended 30 September</i>	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries				
Sale of goods and rendering of service	-	-	815,851	772,308
Purchase of goods or receiving of service	-	-	38,586	27,705
Commission expense	-	-	28,362	26,365
Interest expense	-	-	-	24
Interest income	-	-	-	113
Other income	-	-	950	734
Advertising expense	-	-	11,883	12,950
Support service expense	-	-	38,818	22,927
Key management personnel				
Key management personnel compensation				
Short-term employee benefit	95,491	89,865	12,567	12,645
Post-employment benefits	891	992	571	708
Expense for employee stock option plan	215	215	215	215
Total key management personnel compensation	96,597	91,072	13,353	13,568
Directors' remuneration	5,580	5,580	5,580	5,580
Other related parties				
Sale of goods	18,921	14,341	18,921	14,341
Purchase of goods or receiving of services	8,326	10,602	5,064	6,037
Donation	-	500	-	500
Advertising expense	-	5,048	-	5,048
Business support charges	10,192	-	10,192	-

Balances as at 30 September 2016 and 31 December 2015 with related parties were as follows:

<i>Trade accounts receivable - related parties</i>	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	30	31	30	31
	September	December	September	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	509,157	527,424
Other related parties	36,882	36,626	36,882	36,626
Total	36,882	36,626	546,039	564,050

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<i>Other receivables - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	18,957	12,120
Other related parties	1,446	106	946	-
Total	1,446	106	19,903	12,120

<i>Trade accounts payable - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	30,292	17,668
Total	-	-	30,292	17,668

<i>Other payables - related parties</i>	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	20,487	13,616
Other related parties	237	244	-	-
Total	237	244	20,487	13,616

Significant agreements with related parties

As at 30 September 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.

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.

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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

	Consolidated financial statements		Separate financial statements	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
<i>Current investments</i>				
Short-term deposits at financial institutions	650,938	951,111	650,938	951,111
Total	<u>650,938</u>	<u>951,111</u>	<u>650,938</u>	<u>951,111</u>

Short-term deposits at financial institutions represent fixed deposits at financial institutions with maturity over 3 months but less than 1 year.

5 Trade accounts receivable

	Note	Consolidated financial statements		Separate financial statements	
		30 September 2016	31 December 2015	30 September 2016	31 December 2015
		<i>(in thousand Baht)</i>			
Related parties	3	36,882	36,626	546,039	564,050
Other parties		1,913,940	2,253,642	559,143	721,135
Total		<u>1,950,822</u>	<u>2,290,268</u>	<u>1,105,182</u>	<u>1,285,185</u>
Less allowance for doubtful accounts		(27,269)	(27,175)	(18,168)	(16,928)
Net		<u>1,923,553</u>	<u>2,263,093</u>	<u>1,087,014</u>	<u>1,268,257</u>
Bad and doubtful debts expense for the nine-month period ended 30 September		<u>3,013</u>	<u>29,207</u>	<u>1,240</u>	<u>16,453</u>

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Aging analyses for trade accounts receivable are as follows:

	Consolidated		Separate	
	financial statements		financial statements	
	30	31	30	31
	September	December	September	December
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
Related parties				
Within credit terms	16,953	19,247	393,523	384,309
Overdue:				
Less than 3 months	4,101	8,380	53,850	142,275
3 - 6 months	-	7,434	34,204	28,916
6 - 12 months	15,828	1,565	63,267	6,423
Over 12 months	-	-	1,195	2,127
	<u>36,882</u>	<u>36,626</u>	<u>546,039</u>	<u>564,050</u>
Other parties				
Within credit terms	1,302,272	1,650,426	314,429	503,796
Overdue:				
Less than 3 months	469,987	384,509	174,074	116,460
3 - 6 months	99,784	132,854	52,928	68,049
6 - 12 months	10,504	60,817	649	25,918
Over 12 months	31,393	25,036	17,063	6,912
	<u>1,913,940</u>	<u>2,253,642</u>	<u>559,143</u>	<u>721,135</u>
<i>Less allowance for doubtful accounts</i>	<i>(27,269)</i>	<i>(27,175)</i>	<i>(18,168)</i>	<i>(16,928)</i>
	<u>1,886,671</u>	<u>2,226,467</u>	<u>540,975</u>	<u>704,207</u>
Net	<u>1,923,553</u>	<u>2,263,093</u>	<u>1,087,014</u>	<u>1,268,257</u>

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.

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6 Investments in associate

Investments in an associate as at 30 September 2016 and 31 December 2015 were as follows:

	Type of business	Country of Incorporation	Consolidated financial statements								
			Ownership interest		Paid-up capital		Cost		Equity		
			30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 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	-	-	
Total							1,213	1,213	-	-	

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 30 September 2016, the Group's cumulative share of unrecognised losses was Baht 6.00 million (31 December 2015: Baht 5.93 million), of which the Group's share of losses for the nine-month period ended 30 September 2016 was Baht 1.12 million (30 September 2015: losses of Baht 1.07 million). The Group has no obligation in respect of these losses.

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7 Investments in subsidiaries

	Separate financial statements	
	2016	2015
	<i>(in thousand Baht)</i>	
At 1 January	71,574	59,923
Increase	17,843	7,927
At 30 September	89,417	67,850
At 31 December		71,574

Employee stock option plan

Additional investments in subsidiaries of Baht 9.7 million resulted from Employee Stock Option Plan granted to employees of the Company's subsidiaries during the nine-month period ended 30 September 2016 (2015: Baht 7.3 million) (see note 13).

Additional investment in direct subsidiaries

During the nine-month period ended 30 September 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 nine-month period ended 30 September 2016, the Company made an additional investment of Baht 3.0 million in the issued and paid up capital of Natural Health Foods Limited, a direct subsidiary in Thailand, in order to expand the business.

During the nine-month period ended 30 September 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.

During the nine-month period ended 30 September 2015, the Company made an additional investment of Baht 0.6 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 September 2016, Mega Lifesciences PTY Limited (Thailand), a subsidiary, registered Maxxcare Limited, a wholly owned subsidiary in Myanmar, with the issued and paid up capital of Baht 167.9 million.

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 30 September 2016 and 31 December 2015 and dividend income from those investments for the nine-month periods ended 30 September 2016 and 2015 were as follows:

	Type of business	Country of Incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			30 September 2016 (%)	31 December 2015 (%)	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	30 September 2015
<i>Direct subsidiaries</i>										
Mega Lifesciences PTY Limited	Branded products and distribution business	Thailand	99.99	99.99	50,000	50,000	77,472	67,734	-	-
Natural Health Foods Limited	Branded products business	Thailand	99.99	99.99	5,000	2,000	4,996	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	-	-
Total							89,417	71,574	-	-
<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	468,294	468,294	469,430	469,065	-	-
Mega Lifesciences (Vietnam) Limited	Branded products and distribution business	Vietnam	99.99	99.99	107,959	107,959	110,231	108,595	-	-
Mega Lifesciences Sdn.Bhd	Branded products business	Malaysia	99.99	99.99	17,214	17,214	17,548	17,440	-	-
PT Mega Lifesciences	Branded products business	Indonesia	98.99	98.99	15,163	15,163	15,012	15,012	-	-

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	Type of business	Country of Incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	30 September 2015
			<i>(%)</i>				<i>(in thousand Baht)</i>			
Mega Lifesciences PTY Limited	Branded products and distribution business	Cambodia	99.99	99.99	15,281	15,281	16,951	16,414	-	-
Mega Lifesciences Nigeria Limited	Branded products and distribution business	Nigeria	99.99	99.99	14,885	14,885	16,288	15,837	-	-
Mega Lifesciences Ghana Limited	Branded products business	Ghana	99.99	99.99	9,469	9,469	9,803	9,696	-	-
Mega Lifesciences Private Limited	Branded products business	India	99.99	99.99	4,777	4,777	6,113	5,684	-	-
Mega Lifesciences Limited	Distribution business	Myanmar	99.99	99.99	2,534	2,534	7,761	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	2,548	1,861	-	133,800
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	767	552	-	-
Maxxcare Limited	Distribution business	Myanmar	100.00	-	167,856	-	167,856	-	-	-
Total							840,963	666,892	-	133,800

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8 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the nine-month periods ended 30 September 2016 and 2015 were as follows:

<i>Nine-month period ended 30 September</i>	Consolidated financial statements			
	2016		2015	
	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	167,399	-	37,621	-
Building and building improvements	28,625	-	10,925	-
Leasehold improvements	1,300	-	6,115	96
Machinery and equipment	41,693	-	67,310	-
Furniture, fixtures and office equipment	16,006	17	13,143	275
Vehicles	6,365	221	49,123	4,168
Assets under construction	2,968	16,877	12,474	37,731
Exchange differences	(17,204)	-	(31,974)	-
Total	247,152	17,115	164,737	42,270

<i>Nine-month period ended 30 September</i>	Separate financial statements			
	2016		2015	
	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	167,399	-	-	-
Building and building improvements	9,867	-	4,985	-
Machinery and equipment	37,244	-	57,379	-
Furniture, fixtures and office equipment	3,221	-	3,697	-
Vehicles	530	-	740	-
Assets under construction	2,968	14,877	12,474	37,731
Total	221,229	14,877	79,275	37,731

9 Prepaid rent for leased land

During the nine-month period ended 30 September 2016, a subsidiary entered into a land lease agreement with third party and made a prepayment of Baht 150.99 million for the right to use a piece of land for its operation. The period of agreement is 50 years with the option to extend for additional 10 years. At the end of extended term, the subsidiary can extend the term of the agreement for another 10 years. As at 30 September 2016, the unamortised balance of the prepayment was Baht 144.87 million.

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10 Deferred tax

Deferred tax assets and liabilities as at 30 September 2016 and 31 December 2015 were as follows:

	Consolidated financial statements			
	Assets		Liabilities	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Total	309,216	342,269	(208,890)	(237,902)
Set off of tax	(208,250)	(236,553)	208,250	236,553
Net deferred tax assets (liabilities)	100,966	105,716	(640)	(1,349)

	Separate financial statements			
	Assets		Liabilities	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	<i>(in thousand Baht)</i>			
Total	47,107	56,437	(12,339)	(18,527)
Set off of tax	(12,339)	(18,527)	12,339	18,527
Net deferred tax assets	34,768	37,910	-	-

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 nine-month periods ended 30 September 2016 and 2015 were as follows:

	Consolidated financial statements			
	At 1 January 2016	(Charged) / Credited to: profit or loss (Note 16) <i>(in thousand Baht)</i>	Exchange differences	At 30 September 2016
<i>Deferred tax assets</i>				
Accounts receivable	302,939	(31,720)	(740)	270,479
Provision for employee benefits	20,125	69	(351)	19,843
Loss carry forward	18,008	(9,587)	(8)	8,413
Others	1,197	11,783	(2,499)	10,481
Total	342,269	(29,455)	(3,598)	309,216
<i>Deferred tax liabilities</i>				
Inventories	234,398	(26,570)	-	207,828
Property, plant and equipment	3,504	(1,541)	(901)	1,062
Total	237,902	(28,111)	(901)	208,890
Net	104,367	(1,344)	(2,697)	100,326

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	Consolidated financial statements			At 30 September 2015
	At 1 January 2015	(Charged) / Credited to: profit or loss (Note 16) (in thousand Baht)	Exchange differences	
Deferred tax assets				
Accounts receivable	243,339	34,678	(32)	277,985
Provision for employee benefits	15,872	6,305	(199)	21,978
Loss carry forward	22,157	(966)	(863)	20,328
Others	2,507	(698)	(12)	1,797
Total	283,875	39,319	(1,106)	322,088
Deferred tax liabilities				
Inventories	189,920	23,675	-	213,595
Property, plant and equipment	3,416	(364)	(347)	2,705
Total	193,336	23,311	(347)	216,300
Net	90,539	16,008	(759)	105,788

	Separate financial statements		
	At 1 January 2016	(Charged) / Credited to : profit or loss (Note 16) (in thousand Baht)	At 30 September 2016
Deferred tax assets			
Accounts receivable	45,730	(10,219)	35,511
Provision for employee benefits	10,548	839	11,387
Others	160	49	209
Total	56,438	(9,331)	47,107
Deferred tax liabilities			
Inventories	18,527	(6,188)	12,339
Total	18,527	(6,188)	12,339
Net	37,911	(3,143)	34,768

	Separate financial statements		
	At 1 January 2015	(Charged) / Credited to : profit or loss (Note 16) (in thousand Baht)	At 30 September 2015
Deferred tax assets			
Accounts receivable	21,324	19,991	41,315
Provision for employee benefits	8,539	4,400	12,939
Others	120	28	148
Total	29,983	24,419	54,402
Deferred tax liabilities			
Inventories	8,681	7,140	15,821
Total	8,681	7,140	15,821
Net	21,302	17,279	38,581

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11 Other non-current assets

Other non-current assets mainly represent deposit for land purchase of Baht 109.76 million in the consolidated and separate financial statements as at 30 September 2016 (*31 December 2015: Baht 62.72 million*). During the nine-month period ended 30 September 2016, the Company additionally paid for deposit for land of Baht 47.04 million. The remaining capital commitment was disclosed in note 20.

12 Trade accounts payable

	<i>Note</i>	Consolidated financial statements		Separate financial statements	
		30 September 2016	31 December 2015	30 September 2016	31 December 2015
		<i>(in thousand Baht)</i>			
Related parties	3	-	-	30,292	17,668
Other parties		1,519,833	1,602,895	177,585	152,848
Total		<u>1,519,833</u>	<u>1,602,895</u>	<u>207,877</u>	<u>170,516</u>

13 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 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.

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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 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:

	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<i>Statement of financial position as at 30 September 2016/ 31 December 2015</i>				
Investments in subsidiaries	-	-	27,476	17,738
Warrant	(30,816)	(20,004)	(30,816)	(20,004)
<i>Statement of comprehensive income for the three-month periods ended 30 September</i>				
Administrative expenses	3,302	2,383	359	359
<i>Statement of comprehensive income for the nine-month periods ended 30 September</i>				
Administrative expenses	10,812	8,414	1,074	1,074

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14 Corporate social responsibility reserve

The board of 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 during the nine-month period ended 30 September 2016 of Baht 1.7 million in the consolidated and separate financial statements (*30 September 2015: Baht 8.5 million*). During the nine-month period ended 30 September 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.

15 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 results

The segment results are 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.

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Information about reportable segments:

<i>Three-month period ended</i> <i>30 September</i>	Brands		Distribution		OEM		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	<i>(in thousand Baht)</i>							
External revenue	1,026,373	923,263	1,041,208	843,476	108,016	118,754	2,175,597	1,885,493
Inter-segment revenue	(39,856)	(36,025)	39,856	36,025	-	-	-	-
Other income	2,165	3,201	1,011	1,485	85	142	3,261	4,828
Total segment revenue	988,682	890,439	1,082,075	880,986	108,101	118,896	2,178,858	1,890,321
Segment results before income tax	207,472	143,412	68,241	33,908	26,067	34,943	301,780	212,263

<i>Nine-month period ended</i> <i>30 September</i>	Brands		Distribution		OEM		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	<i>(in thousand Baht)</i>							
External revenue	3,074,248	2,841,979	2,850,112	2,488,410	290,371	332,307	6,214,731	5,662,696
Inter-segment revenue	(114,654)	(103,760)	114,654	103,760	-	-	-	-
Other income	6,500	7,256	3,835	4,019	250	438	10,585	11,713
Total segment revenue	2,966,094	2,745,475	2,968,601	2,596,189	290,621	332,745	6,225,316	5,674,409
Segment results before income tax	626,347	489,516	248,786	123,675	55,395	64,447	930,528	677,638
Segment assets as at 30 September /31 December	2,029,745	2,376,830	1,858,974	1,883,955	204,810	244,592	4,093,529	4,505,377

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Reconciliation of reportable segment profit or loss and assets

Three-month period ended 30 September

2016 2015
(in thousand Baht)

Profit or loss

Total profit for reportable segments	<u>301,780</u>	<u>212,263</u>
Unallocated amounts:		
Other corporate expenses	(50,018)	(105,201)
Depreciation and amortisation	(36,800)	(34,052)
Finance costs	(6,816)	(3,455)
Investment income	3,662	6,890
Other income	1,755	1,844
Net foreign exchange gain (loss)	(19,871)	96,970
Income tax expenses	<u>(25,839)</u>	<u>(22,746)</u>
Consolidated profit	<u>167,853</u>	<u>152,513</u>

Nine-month period ended 30 September

2016 2015
(in thousand Baht)

Profit or loss

Total profit for reportable segments	<u>930,528</u>	<u>677,638</u>
Unallocated amounts:		
Other corporate expenses	(147,931)	(189,486)
Depreciation and amortisation	(111,335)	(105,459)
Finance costs	(14,724)	(9,239)
Investment income	11,332	22,134
Other income	2,764	5,551
Net foreign exchange gain or (loss)	(81,823)	102,374
Income tax expenses	<u>(88,846)</u>	<u>(79,021)</u>
Consolidated profit	<u>499,965</u>	<u>424,492</u>

30 31
September December
2016 2015
(in thousand Baht)

Assets

Total assets for reportable segments	4,093,529	4,505,377
Other unallocated amounts	<u>3,378,462</u>	<u>3,104,664</u>
Consolidated total assets	<u>7,471,991</u>	<u>7,610,041</u>

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16 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	
		2016	2015	2016	2015
		<i>(in thousand Baht)</i>			
Current tax expense					
Current year		87,681	90,230	27,801	43,776
Adjustment for prior years		(179)	4,799	355	-
		<u>87,502</u>	<u>95,029</u>	<u>28,156</u>	<u>43,776</u>
Deferred tax expense					
Movements in temporary differences	10	1,344	(16,008)	3,143	(17,279)
Total income tax expense		<u>88,846</u>	<u>79,021</u>	<u>31,299</u>	<u>26,497</u>

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

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

17 Earnings per share

The calculations of basic earnings per share for the three-month and nine-month periods ended 30 September 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:

<i>Three-month period ended 30 September</i>	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	167,892	152,493	156,325	183,775
Number of ordinary shares outstanding	<u>865,249</u>	<u>865,249</u>	<u>865,249</u>	<u>865,249</u>
Basic and diluted earnings per share (in Baht)	<u>0.19</u>	<u>0.18</u>	<u>0.18</u>	<u>0.21</u>

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	Consolidated financial statements		Separate financial statements	
	2016	2015	2016	2015
<i>Nine-month period ended 30 September</i>	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	<u>499,940</u>	<u>424,472</u>	<u>403,414</u>	<u>406,579</u>
Number of ordinary shares outstanding	<u>865,249</u>	<u>865,249</u>	<u>865,249</u>	<u>865,249</u>
Basic and diluted earnings per share (in Baht)	<u>0.58</u>	<u>0.49</u>	<u>0.47</u>	<u>0.47</u>

Diluted earnings per share

During the year 2014, the Company issued the warrants for employees (note 13). 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.

18 Dividends

At the meeting of the Board of Directors held on 10 August 2016, the director approved the appropriation of dividends of Baht 0.23 per share, amounting to Baht 199.0 million. The dividends were paid to shareholders during September 2016.

At the annual general meeting of the 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 207.7 million. The dividends were paid to shareholders during April 2016.

At the meeting of the Board of Directors held on 13 August 2015, the director approved the appropriation of interim dividends of Baht 0.16 per share, amounting to Baht 138.4 million. The interim dividends were paid during September 2015.

At the annual general meeting of the shareholders of the Company held on 10 April 2015, the shareholders approved the appropriation of dividends of Baht 0.25 per share, amounting to Baht 216.3 million. The dividends were paid to shareholders during April 2015.

19 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.

	Consolidated financial statements		Separate financial statements	
	Carrying amount	Fair value	Carrying amount	Fair value
30 September 2016	<i>(in thousand Baht)</i>			
Finance lease liabilities	18,581	17,730	7	7

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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.

20 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
	2016	2015	2016	2015
	<i>(in thousand Baht)</i>			
<i>Capital commitments</i>				
Contracted but not provided for:				
Land	47,040	94,080	47,040	94,080
Buildings and other constructions	17,127	49,150	15,059	49,150
Vehicles	-	5,289	-	-
Total	64,167	148,519	62,099	143,230
<i>Future minimum lease payments under non-cancellable operating leases</i>				
Within one year	39,517	39,417	5,897	7,097
After one year but within five years	17,627	39,151	5,897	10,319
Total	57,144	78,568	11,794	17,416
<i>Other commitments</i>				
Purchase orders for goods and supplies	34,370	123,315	34,370	123,315
Bank guarantees	285,236	46,779	257,114	46,779
Total	319,606	170,094	291,484	170,094

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.

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.

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Contingent liabilities

As at 30 September 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 1,527 million and U.S. Dollars 11 million (*31 December 2015: Baht 1,225 million and U.S. Dollars 13 million*).

21 Thai Financial Reporting Standards (TFRS) not yet adopted

The following announcement has been issued but are not yet effective and has not been applied in preparing these interim financial statements. This new announcement may be relevant to the Group's operations, which become effective for annual financial periods beginning on or after 1 January 2017, and is set out below. The Group does not plan to adopt this announcement early.

TFRS	Topic
FAP Announcement no. 5/2559	Accounting Guidance for derecognition of financial assets and financial liabilities

The Group has made a preliminary assessment of the potential initial impact on the Group's financial statements of this announcement and expects that there will be no material impact on the financial statements in the period of initial application.

22 Reclassification of accounts

Certain accounts in the 2015 consolidated financial statements included in these interim financial statements for comparative purpose have been reclassified to conform to the presentation in the 2016 financial statements. The significant reclassifications were as follows:

	2015		
	Consolidated financial statements		
	Before reclass.	Reclass. <i>(in thousand Baht)</i>	After reclass.
<i>Statement of financial position</i>			
Trade accounts receivable	2,253,362	9,731	2,263,093
Other receivables	232,598	(49,848)	182,750
Advances to suppliers and distributors	149,878	37,611	187,489
Trade accounts payable	(1,604,214)	1,319	(1,602,895)
Other payables	(331,033)	(1,319)	(332,352)
Accrued expenses	(445,617)	2,506	(443,111)
		<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.