

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

Interim financial statements  
for the three-month period ended  
31 March 2017

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 2017; the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2017; 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.

#### *Emphasis of Matter*

I draw attention to Note 3, the Group completed the acquisition of business during 2016 resulting in the recording of goodwill and intangible asset – trademark in the consolidated statement of financial position as at 31 December 2016 of Baht 153.6 million and Baht 343.3 million, respectively. The fair values of the business acquired and the allocation of purchase price have been provisionally determined and are subject to potential amendment. My conclusion is not modified in respect of this matter.

#### *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  
11 May 2017

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Statement of financial position**

	<i>Note</i>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		31 March 2017 (Unaudited)	31 December 2016	31 March 2017 (Unaudited)	31 December 2016
<i>(in thousand Baht)</i>					
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		518,364	565,856	99,228	104,914
Current investments		650,938	650,938	650,938	650,938
Trade accounts receivable	4, 5	1,943,166	2,233,032	971,135	1,073,829
Other current receivables	4	206,260	141,592	71,751	46,262
Short-term loans to related parties	4	-	-	38,101	33,037
Inventories		2,076,180	1,888,865	595,199	505,226
Advances to suppliers and distributors		177,618	191,155	24,597	23,579
Restricted deposits at financial institution		28,882	16,737	-	-
Other current assets		191	718	-	-
<b>Total current assets</b>		<b>5,601,599</b>	<b>5,688,893</b>	<b>2,450,949</b>	<b>2,437,785</b>
<b>Non-current assets</b>					
Investments in associate	6	-	-	-	-
Investments in joint venture	6	4,844	4,918	5,100	5,100
Investments in subsidiaries	7	-	-	721,872	718,929
Property, plant and equipment	8	1,142,178	1,151,822	774,087	784,483
Goodwill		149,879	153,581	-	-
Intangible assets		570,742	582,474	193,549	193,825
Prepaid rent for leased land		131,507	136,613	-	-
Deferred tax assets	9	79,574	88,083	15,982	32,971
Other non-current assets		135,667	134,589	111,598	111,598
<b>Total non-current assets</b>		<b>2,214,391</b>	<b>2,252,080</b>	<b>1,822,188</b>	<b>1,846,906</b>
<b>Total assets</b>		<b>7,815,990</b>	<b>7,940,973</b>	<b>4,273,137</b>	<b>4,284,691</b>

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>	<b>Consolidated</b>		<b>Separate</b>	
		<b>financial statements</b>		<b>financial statements</b>	
		31 March 2017 (Unaudited)	31 December 2016	31 March 2017 (Unaudited)	31 December 2016
<i>(in thousand Baht)</i>					
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term borrowings from financial institutions		433,059	654,159	220,729	348,157
Trade accounts payable	4, 10	1,434,242	1,518,603	220,031	193,245
Other current payables	4	437,743	371,561	91,748	106,056
Current portion of finance lease liabilities		8,879	8,934	-	-
Current income tax payable		88,490	70,363	24,171	23,239
Accrued expenses		476,799	529,268	48,218	79,663
<b>Total current liabilities</b>		<b>2,879,212</b>	<b>3,152,888</b>	<b>604,897</b>	<b>750,360</b>
<b>Non-current liabilities</b>					
Finance lease liabilities		4,047	6,615	-	-
Deferred tax liabilities	9	573	874	-	-
Non-current provisions for employee benefit		101,459	98,046	60,972	58,556
Other non-current liabilities		2,466	2,740	-	-
<b>Total non-current liabilities</b>		<b>108,545</b>	<b>108,275</b>	<b>60,972</b>	<b>58,556</b>
<b>Total liabilities</b>		<b>2,987,757</b>	<b>3,261,163</b>	<b>665,869</b>	<b>808,916</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 2017 (Unaudited)	31 December 2016	31 March 2017 (Unaudited)	31 December 2016
<i>(in thousand Baht)</i>					
<b>Shareholders' equity</b>					
Share capital:					
Authorized share capital		436,951	436,951	436,951	436,951
Issued and paid share capital		432,625	432,625	432,625	432,625
Share premium:					
Share premium on ordinary shares		2,138,104	2,138,104	2,138,104	2,138,104
Warrants	11	37,419	34,118	37,419	34,118
Retained earnings					
Appropriated					
Legal reserve		49,088	49,088	43,695	43,695
Corporate social responsibility reserve	12	25,060	25,060	25,060	25,060
Unappropriated		2,418,065	2,226,343	930,365	802,173
Other components of shareholders' equity		(272,157)	(225,534)	-	-
<b>Equity attributable to owners</b>					
<b>of the parent</b>		<b>4,828,204</b>	<b>4,679,804</b>	<b>3,607,268</b>	<b>3,475,775</b>
Non-controlling interests		29	6	-	-
<b>Total shareholders' equity</b>		<b>4,828,233</b>	<b>4,679,810</b>	<b>3,607,268</b>	<b>3,475,775</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,815,990</b>	<b>7,940,973</b>	<b>4,273,137</b>	<b>4,284,691</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	
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
<b>Revenues</b>					
Revenue from sales of goods and rendering services	4, 13	2,096,018	1,957,381	657,642	609,445
Investment income		4,165	3,578	2,492	3,226
Net foreign exchange gain		25,686	-	-	-
Other income	4	5,152	3,839	2,474	2,328
<b>Total revenues</b>		<b>2,131,021</b>	<b>1,964,798</b>	<b>662,608</b>	<b>614,999</b>
<b>Expenses</b>					
Cost of sales of goods and rendering services	4	1,198,506	1,190,036	335,402	346,984
Selling expenses		436,684	338,289	89,576	62,630
Administrative expenses		251,984	258,589	77,272	85,420
Net foreign exchange loss		-	26,544	13,111	22,470
Finance costs		7,260	3,446	1,134	1,543
<b>Total expenses</b>		<b>1,894,434</b>	<b>1,816,904</b>	<b>516,495</b>	<b>519,047</b>
Share of loss of joint venture		(74)	-	-	-
<b>Profit before income tax expense</b>		<b>236,513</b>	<b>147,894</b>	<b>146,113</b>	<b>95,952</b>
Income tax expense	14	(44,767)	(33,820)	(17,921)	(10,488)
<b>Profit for the period</b>		<b>191,746</b>	<b>114,074</b>	<b>128,192</b>	<b>85,464</b>
<b>Other comprehensive income</b>					
<i>Components of other comprehensive income that will be reclassified to profit or loss</i>					
Exchange differences on translating financial statements		(46,624)	9,155	-	-
<b>Other comprehensive income (expense) for the period, net of tax</b>		<b>(46,624)</b>	<b>9,155</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>145,122</b>	<b>123,229</b>	<b>128,192</b>	<b>85,464</b>
<b>Profit attributable to:</b>					
Owners of parent		191,722	113,972	128,192	85,464
Non-controlling interests		24	102	-	-
<b>Profit for the period</b>		<b>191,746</b>	<b>114,074</b>	<b>128,192</b>	<b>85,464</b>
<b>Total comprehensive income attributable to:</b>					
Owners of parent		145,099	123,125	128,192	85,464
Non-controlling interests		23	104	-	-
<b>Total comprehensive income for the period</b>		<b>145,122</b>	<b>123,229</b>	<b>128,192</b>	<b>85,464</b>
<b>Basic earnings per share (in Baht)</b>	15	<b>0.22</b>	<b>0.13</b>	<b>0.15</b>	<b>0.10</b>
<b>Diluted earnings per share (in Baht)</b>	15	<b>0.22</b>	<b>0.13</b>	<b>0.15</b>	<b>0.10</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>											
<i>Note</i>	Retained earnings						Other component of shareholders' equity		Equity attributable to owners of parent	Non-controlling interests	Total shareholder's equity
	Issued and paid share capital	Share premium	Warrants	Legal reserve	Corporate social responsibility reserve	Unappropriated	Translation of financial statements	Total other components of shareholders' equity			
<b>Three-month period ended 31 March 2016</b>											
<b>Balance at 1 January 2016</b>	432,625	2,138,104	20,004	49,088	23,400	1,839,761	(168,292)	(168,292)	4,334,690	(22)	4,334,668
<b>Transactions with owners, recorded directly in equity</b>											
<i>Contributions by and distributions to owners of parent</i>											
Share-based payment transactions	-	-	4,209	-	-	-	-	-	4,209	-	4,209
<b>Total contribution by and distribution to owners of parent</b>	-	-	<b>4,209</b>	-	-	-	-	-	<b>4,209</b>	-	<b>4,209</b>
<b>Comprehensive income for the period</b>											
Profit	-	-	-	-	-	113,972	-	-	113,972	102	114,074
Other comprehensive income	-	-	-	-	-	-	9,153	9,153	9,153	2	9,155
<b>Total comprehensive income for the period</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	-	-	-	-	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)**

<b>Consolidated financial statements</b>											
	<u>Retained earnings</u>						<u>Other component of shareholders' equity</u>				
	Issued and paid share capital	Share premium	Warrants	Legal reserve	Corporate social responsibility reserve	Unappropriated	Translation of financial statements	Total other components of shareholders' equity			
<i>Note</i>	<i>(in thousand Baht)</i>										
<b>Three-month period ended 31 March 2017</b>											
<b>Balance at 1 January 2017</b>	<b>432,625</b>	<b>2,138,104</b>	<b>34,118</b>	<b>49,088</b>	<b>25,060</b>	<b>2,226,343</b>	<b>(225,534)</b>	<b>(225,534)</b>	<b>4,679,804</b>	<b>6</b>	<b>4,679,810</b>
<b>Transactions with owners, recorded directly in equity</b>											
<i>Contributions by and distributions to owners of parent</i>											
Share-based payment transactions	-	-	3,301	-	-	-	-	-	3,301	-	3,301
<b>Total contribution by and distribution to owners of parent</b>	<b>-</b>	<b>-</b>	<b>3,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,301</b>	<b>-</b>	<b>3,301</b>
<b>Comprehensive income for the period</b>											
Profit	-	-	-	-	-	191,722	-	-	191,722	24	191,746
Other comprehensive income	-	-	-	-	-	-	(46,623)	(46,623)	(46,623)	(1)	(46,624)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>191,722</b>	<b>(46,623)</b>	<b>(46,623)</b>	<b>145,099</b>	<b>23</b>	<b>145,122</b>
<b>Balance at 31 March 2017</b>	<b>432,625</b>	<b>2,138,104</b>	<b>37,419</b>	<b>49,088</b>	<b>25,060</b>	<b>2,418,065</b>	<b>(272,157)</b>	<b>(272,157)</b>	<b>4,828,204</b>	<b>29</b>	<b>4,828,233</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)

	Note	Separate financial statements						Total shareholders' equity
		Issued and paid share capital	Share premium	Warrants	Retained earnings			
					Legal reserve <i>(in thousand Baht)</i>	Corporate social responsibility reserve	Unappropriated	
<b>Three-month period ended 31 March 2016</b>								
Balance at 1 January 2016		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 parent</i>								
Share-based payment transactions	11	-	-	4,209	-	-	-	4,209
<b>Total contributions by and distributions to owners of parent</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>
<b>Three-month period ended 31 March 2017</b>								
Balance at 1 January 2017		432,625	2,138,104	34,118	43,695	25,060	802,173	3,475,775
<b>Transactions with owners, recorded directly in equity</b>								
<i>Contributions by and distributions to owners of parent</i>								
Share-based payment transactions	11	-	-	3,301	-	-	-	3,301
<b>Total contributions by and distributions to owners of parent</b>		<b>-</b>	<b>-</b>	<b>3,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,301</b>
<b>Comprehensive income for the period</b>								
Profit		-	-	-	-	-	128,192	128,192
Other comprehensive income		-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,192</b>	<b>128,192</b>
<b>Balance at 31 March 2017</b>		<b>432,625</b>	<b>2,138,104</b>	<b>37,419</b>	<b>43,695</b>	<b>25,060</b>	<b>930,365</b>	<b>3,607,268</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)

	Note	Consolidated financial statements		Separate financial statements	
		Three-month period ended		Three-month period ended	
		31 March		31 March	
		2017	2016	2017	2016
<i>(in thousand Baht)</i>					
<b>Cash flows from operating activities</b>					
Profit for the period		191,746	114,074	128,192	85,464
<i>Adjustments to reconcile profit to cash receipts</i>					
Income tax expense	14	44,767	33,820	17,921	10,488
Finance costs		7,260	3,446	1,134	1,543
Depreciation		36,622	35,657	19,249	18,051
Amortisation of intangible assets		2,566	1,814	277	322
Provision for (reversal of) decline in value of inventories		19,254	6,286	5,972	(3,027)
Investment income		(4,165)	(3,578)	(2,492)	(3,226)
Provision for doubtful accounts	5	725	583	470	330
Unrealised (gain) loss on exchange rate		(16,768)	67,255	20,780	49,408
Gain on disposal of property, plant and equipment		(408)	(161)	-	-
Share of loss of joint venture		74	-	-	-
Employee benefit obligations		3,815	3,941	2,416	2,161
Share-based payment transactions	11	3,301	4,209	358	358
		<u>288,789</u>	<u>267,346</u>	<u>194,277</u>	<u>161,872</u>
<i>Changes in operating assets and liabilities</i>					
Trade accounts receivable		222,542	41,703	73,688	46,405
Other current receivables		(52,647)	(3,869)	(23,294)	(3,553)
Inventories		(219,305)	123,605	(95,945)	40,884
Advances to suppliers and distributors		12,063	(11,460)	(549)	(6,079)
Restricted deposits at financial institutions		(12,861)	-	-	-
Other current assets		510	-	-	-
Prepaid rent for leased land		(534)	-	-	-
Other non-current assets		(1,573)	(33,389)	-	(33,304)
Trade accounts payable		(37,478)	(251,436)	27,680	(27,617)
Other current payables		70,466	110,127	(14,033)	10,375
Accrued expenses		(45,165)	(12,937)	(31,430)	(21,811)
Other non-current liabilities		(103)	(16)	-	-
Employee benefit obligations paid		(369)	(2,250)	-	(2,250)
Net cash generated from operating		<u>224,335</u>	<u>227,424</u>	<u>130,394</u>	<u>164,922</u>
Income tax paid		<u>(21,723)</u>	<u>(11,901)</u>	<u>(1)</u>	<u>(167)</u>
<b>Net cash from operating activities</b>		<b><u>202,612</u></b>	<b><u>215,523</u></b>	<b><u>130,393</u></b>	<b><u>164,755</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)

	Consolidated		Separate		
	financial statements		financial statements		
	Three-month period ended 31 March		Three-month period ended 31 March		
Note	2017	2016	2017	2016	
	<i>(in thousand Baht)</i>				
<b><i>Cash flows from investing activities</i></b>					
Interest received		1,663	16,664	150	16,486
Purchase of property, plant and equipment		(26,411)	(14,145)	(8,853)	(8,649)
Purchase of intangible assets		(30)	-	-	-
Short-term loan to related party	4	-	-	(5,064)	-
Redemption of current investments		-	506,538	-	506,538
Proceed from sale of equipment		558	302	-	-
Investment in subsidiaries	7	-	-	-	(5,105)
<b>Net cash from (used in) investing activities</b>		<b>(24,220)</b>	<b>509,359</b>	<b>(13,767)</b>	<b>509,270</b>
<b><i>Cash flows from financing activities</i></b>					
Finance cost paid		(6,316)	(3,679)	(1,149)	(1,554)
Dividends paid		(151)	(944)	(151)	(944)
Finance lease payments		(2,057)	(2,113)	-	(20)
Decrease in bank overdrafts and short-term loans from financial institutions		(204,283)	(197,147)	(121,012)	(59,997)
Repayment of borrowings		-	(19,154)	-	(11,757)
<b>Net cash used in financing activities</b>		<b>(212,807)</b>	<b>(223,037)</b>	<b>(122,312)</b>	<b>(74,272)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>					
		<b>(34,415)</b>	<b>501,845</b>	<b>(5,686)</b>	<b>599,753</b>
Cash and cash equivalents at 1 January		565,856	515,679	104,914	81,870
Effect of exchange rate changes on cash and cash equivalent		(13,077)	(1,502)	-	-
<b>Cash and cash equivalents at 31 March</b>		<b>518,364</b>	<b>1,016,022</b>	<b>99,228</b>	<b>681,623</b>
<b><i>Non-cash transactions</i></b>					
Capitalisation of rental expense during construction of qualifying asset		668	-	-	-

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 2017 (Unaudited)**

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

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (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 11 May 2017.

**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, joint venture and subsidiaries as at 31 March 2017 are given in notes 4, 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 2016) *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 2016. 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 2016.

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 2016 except that the Group has adopted all the new and revised TFRS that are effective for annual periods beginning on or after 1 January 2017. 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.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**(b) *Functional and presentation currency***

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

**(c) *Use of 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 2016.

**i. Measurement of fair values**

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of TFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 16 - financial instruments.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**3 Acquisition of business**

On 30 November 2016, the Group obtained control of Bio-Life Marketing Sdn. Bhd., a company in Malaysia which engages in marketing of health related products, by acquiring 100% of the shares and voting interests in the company. Taking control of Bio-Life Marketing Sdn. Bhd. will enable the Group to strengthen its branded products business in South East Asia.

In accordance with TFRS 3, management is required to make a preliminary assessment of the fair values of business acquired as at the acquisition date. During the measurement period, which must not exceed one year from the acquisition date, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. Finalisation of the fair values of acquisition of business during 2016 is dependent on completion of the purchase price allocation exercise.

The following summarises the consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

*Consideration transferred*

	Fair value (in thousand Baht)
Cash	617,656
	<b><u>617,656</u></b>

*Identifiable assets acquired and liabilities assumed*

	Carrying amounts	Fair value adjustments (in thousand Baht)	Recognised values
Cash and cash equivalents	25,445	-	25,445
Trade accounts receivable	62,421	-	62,421
Other current receivables	1,392	-	1,392
Inventories	54,915	22,574	77,489
Advances to suppliers and distributors	1,051	-	1,051
Other current assets	1,340	-	1,340
Leasehold improvements and Intangible assets	292	343,332	343,624
Trade accounts payable	(5,816)	-	(5,816)
Other current payables	(8,785)	-	(8,785)
Income tax payable	(5,597)	-	(5,597)
Accrued expenses	(32,667)	-	(32,667)
Deferred tax liabilities	(89)	-	(89)
Total identifiable assets acquired and Goodwill			<u>153,581</u>
<b>Consideration transferred</b>			<b><u>617,656</u></b>
Cash paid			617,656
Net cash acquired			<u>(25,445)</u>
<b>Net cash outflows</b>			<b><u>592,211</u></b>

An independent appraiser has been appointed to determine the fair value of the business but the report of the appraiser is not yet completed as at the date of approval of these consolidated financial statements. Accordingly, the fair value of assets acquired and liabilities assumed have been provisionally determined at the acquisition date. Goodwill of Baht 149.8 million in the consolidated financial statements as at 31 March 2017 is different from goodwill recognized as at the acquisition date due to the translation of financial statements.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**4 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, a joint venture 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.

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 2017 and 2016 with related parties were as follows:

<b>Three-month period ended 31 March</b>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
			<i>(in thousand Baht)</i>	
<b>Subsidiaries</b>				
Sale of goods and rendering of service	-	-	264,324	250,005
Purchase of goods and receiving of service	-	-	10,575	12,693
Commission expense	-	-	923	8,057
Interest income	-	-	150	-
Other income	-	-	68	569
Advertising expense	-	-	2,232	4,565
Support service expense	-	-	13,020	13,242



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

<i>Three-month period ended 31 March</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Key management personnel</b>				
Key management personnel compensation				
Short-term employee benefits	36,525	29,517	3,906	3,964
Post-employment benefits	314	297	203	190
Expense for employee stock option plan	72	72	72	72
<b>Total key management personnel compensation</b>	<b>36,911</b>	<b>29,886</b>	<b>4,181</b>	<b>4,226</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	-	8,215
Purchase of goods and receiving of services	2,711	3,073	1,649	1,699
Business support charges	865	4,054	865	4,054

Balances as at 31 March 2017 and 31 December 2016 with related parties were as follows:

<i>Trade accounts receivable - related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	487,467	555,379
Other related parties	11,128	36,463	11,128	36,463
<b>Total</b>	<b>11,128</b>	<b>36,463</b>	<b>498,595</b>	<b>591,842</b>

<i>Other receivables - related parties</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Subsidiaries	-	-	14,460	7,907
Other related parties	3,512	187	2,048	-
<b>Total</b>	<b>3,512</b>	<b>187</b>	<b>16,508</b>	<b>7,907</b>

<i>Loans to and interest receivable from related parties</i>	<b>Interest rate</b>		<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016
<i>Short-term loans</i>	<i>(% per annum)</i>					
	<i>(in thousand Baht)</i>					
Subsidiaries	1.75	1.75	-	-	38,101	33,037
<b>Short-term loans to and interest receivable from related parties</b>			<b>-</b>	<b>-</b>	<b>38,101</b>	<b>33,037</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

Movements during three-month period ended 31 March 2017 and 2016 of loans to related parties were as follows:

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b><i>Subsidiaries</i></b>				
At 1 January	-	-	33,037	-
Increase	-	-	5,064	-
<b>At 31 March</b>	<b>-</b>	<b>-</b>	<b>38,101</b>	<b>-</b>

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b><i>Trade accounts payable - related parties</i></b>				
Subsidiaries	-	-	16,693	33,422
<b>Total</b>	<b>-</b>	<b>-</b>	<b>16,693</b>	<b>33,422</b>

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
<b><i>Other payables - related parties</i></b>				
Subsidiaries	-	-	22,279	40,814
Other related parties	984	92	865	-
<b>Total</b>	<b>984</b>	<b>92</b>	<b>23,144</b>	<b>40,814</b>

***Significant agreements with related parties***

As at 31 March 2017, the Group had the following significant agreements with related parties.

***Loan agreements***

The Company entered into a loan agreement with a subsidiary for an amount of Baht 18 million, with an interest rate which the Company pays to the bank in obtaining the loan and at the rate on fixed deposits in case of the Company's repayment to the bank in full.

The Company entered into a loan agreement with a subsidiary for an amount of Baht 20 million, with an interest rate which the Company pays to the bank in obtaining the loan and at the rate on fixed deposits in case of the Company's repayment to the bank in full.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

***Commission agreement***

The Company entered into a commission agreement with Mega Lifesciences (Australia) Pty. Limited, an indirect 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. By virtue of addendum dated 1 January 2017, the Company shall pay the commission at the rate of 12.5% of the sale value on a quarterly basis. This agreement 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.

***Support service agreement***

On 1 April 2015, the Company entered into a support service agreement with Mega Lifesciences Private Limited, an indirect 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.

**5 Trade accounts receivable**

	<i>Note</i>	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
		31 March 2017	31 December 2016	31 March 2017	31 December 2016
			<i>(in thousand Baht)</i>		
Related parties	4	11,128	36,463	498,595	591,842
Other parties		1,961,191	2,225,508	491,918	500,895
<b>Total</b>		<b>1,972,319</b>	<b>2,261,971</b>	<b>990,513</b>	<b>1,092,737</b>
Less allowance for doubtful accounts		(29,153)	(28,939)	(19,378)	(18,908)
<b>Net</b>		<b>1,943,166</b>	<b>2,233,032</b>	<b>971,135</b>	<b>1,073,829</b>
Bad and doubtful debts expense for the three-month period ended 31 March		<b>725</b>	<b>583</b>	<b>470</b>	<b>330</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

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
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b>Related parties</b>				
Within credit terms	10,542	24,991	360,440	476,945
Overdue:				
Less than 3 months	95	-	47,502	25,221
3 - 6 months	-	2,577	16,523	32,285
6 - 12 months	-	4,200	51,926	52,523
Over 12 months	491	4,695	22,204	4,868
	<u>11,128</u>	<u>36,463</u>	<u>498,595</u>	<u>591,842</u>
<b>Other parties</b>				
Within credit terms	1,481,311	1,681,595	331,942	283,194
Overdue:				
Less than 3 months	414,922	463,718	126,909	180,996
3 - 6 months	22,412	37,290	10,891	14,400
6 - 12 months	11,808	14,077	5,570	5,875
Over 12 months	30,738	28,828	16,606	16,430
	<u>1,961,191</u>	<u>2,225,508</u>	<u>491,918</u>	<u>500,895</u>
<i>Less allowance for doubtful accounts</i>	<u>(29,153)</u>	<u>(28,939)</u>	<u>(19,378)</u>	<u>(18,908)</u>
	<u>1,932,038</u>	<u>2,196,569</u>	<u>472,540</u>	<u>481,987</u>
<b>Net</b>	<u>1,943,166</u>	<u>2,233,032</u>	<u>971,135</u>	<u>1,073,829</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.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**6 Investments in associate and joint venture**

Investments in an associate and joint venture as at 31 March 2017 and 31 December 2016 were as follows:

<b>Consolidated financial statements</b>										
Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Equity		
		31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	
		(%)				(in thousand Baht)				
<b>Indirect associate</b>										
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's indirect associates is not publicly listed and consequently do not have published price quotations.

<b>Consolidated/Separate financial statements</b>										
Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Equity		
		31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	
		(%)				(in thousand Baht)				
<b>Joint venture</b>										
Mega Malee Company Limited	Branded products business	Thailand	51.00	51.00	10,000	10,000	5,100	5,100	4,844	4,918
<b>Total</b>						<b>5,100</b>	<b>5,100</b>	<b>4,844</b>	<b>4,918</b>	

The Group has not recognised losses relating to an investment in indirect associate accounted for using the equity method where its share of losses exceeds the carrying amount. As at 31 March 2017, the Group's cumulative share of unrecognised losses was Baht 4.97 million (31 December 2016: Baht 5.15 million), of which the Group's share of losses for the three-month period ended 31 March 2017 was Baht 0.01 million (31 March 2016: losses of Baht 0.01 million). The Group has no obligation in respect of these losses.

The Group's joint ventures is not publicly listed and consequently do not have published price quotations.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**7 Investments in subsidiaries**

	<b>Separate financial statements</b>	
	2017	2016
	<i>(in thousand Baht)</i>	
At 1 January	718,929	71,574
Increase	2,943	8,956
<b>At 31 March</b>	<b><u>721,872</u></b>	<b><u>80,530</u></b>
<b>At 31 December</b>		<b><u>718,929</u></b>

***Employee stock option plan***

Additional investments in subsidiaries of Baht 2.9 million resulted from Employee Stock Option Plan granted to employees of the Company's subsidiaries during the three-month period ended 31 March 2017 (2016: Baht 3.9 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 LIMITED LIABILITY COMPANY "MEGA LIFESCIENCES", a direct subsidiary in Ukraine, in order to expand the business.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

Investments in subsidiaries as at 31 March 2017 and 31 December 2016 and dividend income from those investments for the three-month periods ended 31 March 2017 and 2016 were as follows:

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 March 2016
			(% )				<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	82,954	80,047	-	-
Natural Health Foods Limited	Branded products business	Thailand	99.99	99.99	5,000	5,000	4,996	4,996	-	-
Mega We Care Limited	Wellness center	Thailand	99.96	99.96	4,900	4,900	4,900	4,900	-	-
LIMITED LIABILITY COMPANY “MEGA LIFESCIENCES”	Branded products business	Ukraine	100.00	100.00	2,049	2,049	2,049	2,049	-	-
Mega Lifesciences Sdn.Bhd	Branded products business	Malaysia	97.89	97.89	643,781	643,781	626,973	626,937	-	-
<b>Total direct subsidiaries</b>							<b><u>721,872</u></b>	<b><u>718,929</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b><i>Indirect subsidiaries (investment through Mega Lifesciences PTY Limited, Thailand)</i></b>										
Mega Lifesciences (Australia) Pty. Limited	Branded and OEM products business	Australia	99.99	99.99	468,294	468,294	469,674	469,552	-	-
Mega Lifesciences (Vietnam) Limited	Branded products and distribution business	Vietnam	99.99	99.99	107,959	107,959	110,718	110,474	-	-
PT Mega Lifesciences	Branded products business	Indonesia	98.99	98.99	15,163	15,163	15,012	15,012	-	-
Mega Lifesciences PTY Limited	Branded products	Cambodia	99.99	99.99	15,281	15,281	17,309	17,130	-	-

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

	Type of business	Country of incorporation	Ownership interest		Paid-up capital		Cost		Dividend income	
			31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 March 2016
			(% )				<i>(in thousand Baht)</i>			
Mega Lifesciences Nigeria Limited	and distribution business Branded products and distribution business	Nigeria	99.99	99.99	14,885	14,885	16,589	16,439	-	-
Mega Lifesciences Ghana Limited	and distribution business Branded products and distribution business	Ghana	99.99	99.99	9,469	9,469	9,875	9,839	-	-
Mega Lifesciences Private Limited	and distribution business Branded products and distribution business	India	99.99	99.99	4,777	4,777	6,400	6,257	-	-
Mega Lifesciences Limited	business Distribution business	Myanmar	99.99	99.99	2,534	2,534	8,881	8,321	-	-
E-Sense Limited	business Software design, development and other services	Thailand	99.96	99.96	500	500	499	499	-	-
Mega Products (Mauritius) Limited	business Distribution business	Mauritius	99.99	99.99	410	410	3,006	2,777	-	-
Mega Lifesciences Pte. Ltd.	business Distribution business	Singapore	99.99	99.99	156	156	156	156	-	-
Mega Lifesciences PTY Peru S.A.C.	business Branded products and distribution business	Peru	99.99	99.99	100	100	910	838	-	-
MAXXCARE Limited	business Distribution business	Myanmar	100.00	100.00	167,856	167,856	167,856	167,856	-	-
							<b>826,885</b>	<b>825,150</b>	<b>-</b>	<b>-</b>
<b><i>Indirect subsidiaries (investment through Mega Lifesciences Sdn.Bhd)</i></b>										
Bio-Life Marketing Sdn. Bhd.	business Branded products and distribution business	Malaysia	100.00	100.00	11,977	11,977	617,656	617,656	-	-
<b>Total indirect subsidiaries</b>							<b>1,444,541</b>	<b>1,442,806</b>		



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**8 Property, plant and equipment**

Acquisitions, disposals and transfers of property, plant and equipment during the three-month periods ended 31 March 2017 and 2016 were as follows:

<i>Three-month period ended 31 March</i>	<b>Consolidated financial statements</b>			
	2017		2016	
	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	170	-	-	-
Building and building improvements	1,057	-	2,070	-
Leasehold improvements	128	-	687	-
Machinery and equipment	9,398	-	6,313	-
Furniture, fixtures and office equipment	8,796	(130)	2,356	12
Vehicles	6,534	49	217	129
Assets under construction	1,130	134	4,116	1,614
Exchange difference	(4,562)	-	13,620	-
<b>Total</b>	<b>22,651</b>	<b>53</b>	<b>29,379</b>	<b>1,755</b>

<i>Three-month period ended 31 March</i>	<b>Separate financial statements</b>			
	2017		2016	
	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	261	-	1,760	-
Machinery and equipment	7,946	-	5,510	-
Furniture, fixtures and office equipment	646	-	100	-
Assets under construction	-	-	2,893	1,614
<b>Total</b>	<b>8,853</b>	<b>-</b>	<b>10,263</b>	<b>1,614</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**9 Deferred tax**

Deferred tax assets and liabilities as at 31 March 2017 and 31 December 2016 were as follows:

	<b>Consolidated financial statements</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Total	286,858	282,193	(207,857)	(194,984)
Set off of tax	(207,284)	(194,110)	207,284	194,110
<b>Net deferred tax assets (liabilities)</b>	<b>79,574</b>	<b>88,083</b>	<b>(573)</b>	<b>(874)</b>

  

	<b>Separate financial statements</b>			
	<b>Assets</b>		<b>Liabilities</b>	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	<i>(in thousand Baht)</i>			
Total	16,681	43,524	(699)	(10,553)
Set off of tax	(699)	(10,553)	699	10,553
<b>Net deferred tax assets</b>	<b>15,982</b>	<b>32,971</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 2017 and 2016 were as follows:

	<b>Consolidated financial statements</b>			
	<b>At 1 January 2017</b>	<b>(Charged) / Credited to:</b>		<b>At 31 March 2017</b>
		<b>profit or loss (Note 14)</b>	<b>Exchange differences</b>	
	<i>(in thousand Baht)</i>			
<b>Deferred tax assets</b>				
Accounts receivable	243,258	3,813	(29)	247,042
Provision for employee benefits	20,289	691	(9)	20,971
Loss carry forward	4,993	148	(6)	5,135
Others	13,653	516	(459)	13,710
<b>Total</b>	<b>282,193</b>	<b>5,168</b>	<b>(503)</b>	<b>286,858</b>
<b>Deferred tax liabilities</b>				
Inventories	193,875	13,675	-	207,550
Property, plant and equipment	1,109	(706)	(96)	307
<b>Total</b>	<b>194,984</b>	<b>12,969</b>	<b>(96)</b>	<b>207,857</b>
<b>Net</b>	<b>87,209</b>	<b>(7,801)</b>	<b>(407)</b>	<b>79,001</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

	<b>Consolidated financial statements</b>			<b>At 31 March 2016</b>
	<b>At 1 January 2016</b>	(Charged) / Credited to: profit or loss (Note 14) (in thousand Baht)	Exchange differences	
<i>Deferred tax assets</i>				
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>
<i>Deferred tax liabilities</i>				
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>

	<b>Separate financial statements</b>		
	<b>At 1 January 2017</b>	(Charged) / Credited to : profit or loss (Note 14) (in thousand Baht)	<b>At 31 March 2017</b>
<i>Deferred tax assets</i>			
Accounts receivable	31,523	(27,221)	4,302
Provision for employee benefits	11,711	483	12,194
Others	290	(105)	185
<b>Total</b>	<b>43,524</b>	<b>(26,843)</b>	<b>16,681</b>
<i>Deferred tax liabilities</i>			
Inventories	10,553	(9,854)	699
<b>Total</b>	<b>10,553</b>	<b>(9,854)</b>	<b>699</b>
<b>Net</b>	<b>32,971</b>	<b>(16,989)</b>	<b>15,982</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>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**10 Trade accounts payable**

	Note	Consolidated financial statements		Separate financial statements	
		31 March 2017	31 December 2016	31 March 2017	31 December 2016
		<i>(in thousand Baht)</i>			
Related parties	4	-	-	16,693	33,422
Other parties		1,434,242	1,518,603	203,338	159,823
<b>Total</b>		<b>1,434,242</b>	<b>1,518,603</b>	<b>220,031</b>	<b>193,245</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

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

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>
	2017	2016	2017	2016
	<i>(in thousand Baht)</i>			
<b><i>Statement of financial position as at 31 March 2017/ 31 December 2016</i></b>				
Investments in subsidiaries	-	-	33,363	30,420
Warrants	(37,419)	(34,118)	(37,419)	(34,118)
<b><i>Statement of comprehensive income for the three-month periods ended 31 March</i></b>				
Administrative expenses	3,301	4,209	358	358

## **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.

## **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.

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

“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 result is derived from reportable segment revenue minus allocated cost for each segment and inter-segment charges.

***Segment assets and liabilities***

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

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

*Information about reportable segments:*

<i>Three-month period ended 31 March</i>	<b>Brand</b>		<b>Distribution</b>		<b>OEM</b>		<b>Total</b>	
	2017	2016	2017	2016	2017	2016	2017	2016
	<i>(in thousand Baht)</i>							
External revenue	1,052,023	922,798	908,110	954,001	135,885	80,582	2,096,018	1,957,381
Inter-segment revenue	(39,673)	(35,493)	39,673	35,493	-	-	-	-
Other income	2,133	2,178	1,196	1,250	117	72	3,446	3,500
Total segment revenue	<u>1,014,483</u>	<u>889,483</u>	<u>948,979</u>	<u>990,744</u>	<u>136,002</u>	<u>80,654</u>	<u>2,099,464</u>	<u>1,960,881</u>
Segment profit before income tax	<u>166,131</u>	<u>139,696</u>	<u>92,738</u>	<u>114,701</u>	<u>39,906</u>	<u>7,872</u>	<u>298,775</u>	<u>262,269</u>
Segment assets as at 31 March/ 31 December	<u>2,585,647</u>	<u>2,851,280</u>	<u>1,994,269</u>	<u>1,895,431</u>	<u>251,268</u>	<u>204,110</u>	<u>4,831,184</u>	<u>4,950,281</u>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

*Reconciliation of reportable segment profit or loss and assets*

<i>Three-month period ended 31 March</i>	2017	2016
	<i>(in thousand Baht)</i>	
<b>Profit or loss</b>		
Total profit for reportable segments	<u>298,775</u>	<u>262,269</u>
Unallocated amounts:		
Other corporate expenses	(47,297)	(50,831)
Depreciation and amortization	(39,188)	(37,471)
Finance costs	(7,260)	(3,446)
Investment income	4,165	3,578
Other income	1,706	339
Net foreign exchange gain/ (loss)	25,686	(26,544)
Share of loss of joint venture	(74)	-
Income tax expense	<u>(44,767)</u>	<u>(33,820)</u>
<b>Consolidated profit</b>	<b><u>191,746</u></b>	<b><u>114,074</u></b>
	31 March	31 December
	2017	2016
	<i>(in thousand Baht)</i>	
<b>Assets</b>		
Total assets for reportable segments	4,831,184	4,950,821
Other unallocated amounts	<u>2,984,806</u>	<u>2,990,152</u>
<b>Consolidated total assets</b>	<b><u>7,815,990</u></b>	<b><u>7,940,973</u></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>
		2017	2016	2017	2016
		<i>(in thousand Baht)</i>			
<b>Current tax expense</b>					
Current period		36,911	34,413	932	5,898
Adjustment for prior periods		55	-	-	-
		<u>36,966</u>	<u>34,413</u>	<u>932</u>	<u>5,898</u>
<b>Deferred income tax</b>					
Movements in temporary differences	9	7,801	(593)	16,989	4,590
<b>Total income tax expense</b>		<b><u>44,767</u></b>	<b><u>33,820</u></b>	<b><u>17,921</u></b>	<b><u>10,488</u></b>



**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

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 decline in value and temporary 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 comprehensive income subsequently at the moment the goods are sold to third parties outside the Group.

**15 Earnings per share**

***Basic earnings per share***

The calculations of basic earnings per share for the three-month periods ended 31 March 2017 and 2016 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</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
<b><i>Three-month period ended 31 March</i></b>	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	191,722	113,972	128,192	85,464
<b>Number of ordinary shares outstanding</b>	<b>865,249</b>	<b>865,249</b>	<b>865,249</b>	<b>865,249</b>
<b>Earnings per share (basic) (in Baht)</b>	<b>02</b>	<b>013</b>	<b>015</b>	<b>010</b>

***Diluted earnings per share***

The calculations of diluted earnings per share for the three-month periods ended 31 March 2017 and 2016 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 after adjusting for the effects of all dilutive potential ordinary shares as follows:

	<b>Consolidated</b>		<b>Separate</b>	
	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>	<b>financial statements</b>
<b><i>Three-month period ended 31 March</i></b>	2017	2016	2017	2016
	<i>(in thousand Baht / thousand shares)</i>			
Profit for the period attributable to ordinary shareholders of the Company	191,722	113,972	128,192	85,464
Number of ordinary shares outstanding	865,249	865,249	865,249	865,249
Effects of exercise of share warrants	1,645	1,645	1,645	1,645
<b>Number of ordinary shares outstanding (diluted)</b>	<b>866,894</b>	<b>866,894</b>	<b>866,894</b>	<b>866,894</b>
<b>Earnings per share (diluted) (in Baht)</b>	<b>02</b>	<b>013</b>	<b>015</b>	<b>010</b>

**Mega Lifesciences Public Company Limited and its Subsidiaries**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

**16 Financial instruments**

*Carrying amounts and fair values*

The following table shows the carrying amounts and level 2 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.

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	Carrying amount	Fair value <i>(in thousand Baht)</i>	Carrying amount	Fair value
<b>31 March 2017</b>				
Finance lease liabilities	12,926	12,408	-	-
<b>31 December 2016</b>				
Finance lease liabilities	15,549	14,905	-	-

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

	<b>Consolidated financial statements</b>		<b>Separate financial statements</b>	
	31 March 2017	31 December 2016 <i>(in thousand Baht)</i>	31 March 2017	31 December 2016
<b>Capital commitments</b>				
Contracted but not provided for:				
Land	47,040	47,040	47,040	47,040
Buildings and machineries	13,543	19,348	11,830	17,324
<b>Total</b>	<b>60,583</b>	<b>66,388</b>	<b>58,870</b>	<b>64,364</b>
<b>Future minimum lease payment under non-cancellable operating lease</b>				
Within one year	36,053	37,409	5,897	5,897
After one year but within five years	13,890	9,289	2,948	4,554
<b>Total</b>	<b>49,943</b>	<b>46,698</b>	<b>8,845</b>	<b>10,451</b>
<b>Other commitments</b>				
Purchase orders for goods and supplies	89,779	7,160	89,779	7,160
Bank guarantees	284,186	295,145	255,340	265,142
<b>Total</b>	<b>373,965</b>	<b>302,305</b>	<b>345,119</b>	<b>272,302</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**  
**Notes to the interim financial statements**  
**For the three-month period ended 31 March 2017 (Unaudited)**

*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 2017, 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 2016: Baht 1,527 million and U.S. Dollars 11 million*).

**18 Events after the reporting period**

At the Annual General Meeting of shareholders of the Company held on 11 April 2017, 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 2017.