

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

Interim financial statements
for the three-month and nine-month periods ended
30 September 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 30 September 2017; the consolidated and separate statements of comprehensive income for the three-month and nine-month periods ended 30 September 2017, the consolidated and separate statements of changes in equity and cash flows for the nine-month period ended 30 September 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.

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 2017

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

| | <i>Note</i> | Consolidated | | Separate | |
|--|-------------|-----------------------------|------------------|-----------------------------|------------------|
| | | financial statements | | financial statements | |
| Assets | | 30 September | 31 December | 30 September | 31 December |
| | | 2017 | 2016 | 2017 | 2016 |
| | | (Unaudited) | (Restated) | (Unaudited) | |
| | | <i>(in thousand Baht)</i> | | | |
| <i>Current assets</i> | | | | | |
| Cash and cash equivalents | | 476,525 | 565,856 | 56,879 | 104,914 |
| Current investments | 5 | 477,559 | 650,938 | 457,538 | 650,938 |
| Trade accounts receivable | 4, 6 | 2,204,375 | 2,233,032 | 1,160,624 | 1,073,829 |
| Other current receivables | 4 | 215,703 | 141,592 | 83,729 | 46,262 |
| Short-term loans to related parties | 4 | - | - | 44,276 | 33,037 |
| Inventories | | 2,269,556 | 1,888,865 | 661,089 | 505,226 |
| Advances to suppliers and distributors | | 175,107 | 191,155 | 23,117 | 23,579 |
| Restricted deposits at financial institution | | 2,271 | 16,737 | - | - |
| Other current assets | | - | 718 | - | - |
| Total current assets | | 5,821,096 | 5,688,893 | 2,487,252 | 2,437,785 |
| <i>Non-current assets</i> | | | | | |
| Investments in associate | 7 | - | - | - | - |
| Investments in joint venture | 7 | 3,528 | 4,918 | 5,100 | 5,100 |
| Investments in subsidiaries | 8 | - | - | 744,974 | 718,929 |
| Other long-term investments | 5 | 203,267 | - | 203,267 | - |
| Property, plant and equipment | 9 | 1,193,308 | 1,151,822 | 755,194 | 784,483 |
| Goodwill | 3 | 215,221 | 217,457 | - | - |
| Intangible assets | | 509,267 | 518,598 | 192,987 | 193,825 |
| Prepaid rent for leased land | | 165,459 | 136,613 | - | - |
| Deferred tax assets | 10 | 82,695 | 88,083 | 43,174 | 32,971 |
| Other non-current assets | | 132,816 | 134,589 | 111,611 | 111,598 |
| Total non-current assets | | 2,505,561 | 2,252,080 | 2,056,307 | 1,846,906 |
| Total assets | | 8,326,657 | 7,940,973 | 4,543,559 | 4,284,691 |

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> | 2017 | 2016 | 2017 | 2016 |
| | | (Unaudited) | (Restated) | (Unaudited) | |
| | | <i>(in thousand Baht)</i> | | | |
| <i>Current liabilities</i> | | | | | |
| Bank overdrafts and short-term borrowings from financial institutions | | 666,623 | 654,159 | 490,309 | 348,157 |
| Trade accounts payable | 4, 11 | 1,559,850 | 1,518,603 | 200,467 | 193,245 |
| Other current payables | 4 | 498,006 | 371,561 | 113,000 | 106,056 |
| Current portion of finance lease liabilities | | 8,370 | 8,934 | - | - |
| Current income tax payable | | 69,711 | 70,363 | 40,284 | 23,239 |
| Accrued expenses | | 536,193 | 529,268 | 80,547 | 79,663 |
| Total current liabilities | | 3,338,753 | 3,152,888 | 924,607 | 750,360 |
| <i>Non-current liabilities</i> | | | | | |
| Finance lease liabilities | | - | 6,615 | - | - |
| Deferred tax liabilities | 10 | 517 | 874 | - | - |
| Non-current provisions for employee benefit | | 108,511 | 98,046 | 68,607 | 58,556 |
| Other non-current liabilities | | 17 | 2,740 | - | - |
| Total non-current liabilities | | 109,045 | 108,275 | 68,607 | 58,556 |
| Total liabilities | | 3,447,798 | 3,261,163 | 993,214 | 808,916 |

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

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of financial position

| | | Consolidated | | Separate | |
|---|----|---------------------------|------------------|------------------|------------------|
| | | 30 September | 31 December | 30 September | 31 December |
| | | 2017 | 2016 | 2017 | 2016 |
| | | (Unaudited) | (Restated) | (Unaudited) | |
| | | <i>(in thousand Baht)</i> | | | |
| Liabilities and equity | | | | | |
| <i>Shareholders' equity</i> | | | | | |
| 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 | 12 | 44,023 | 34,118 | 44,023 | 34,118 |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Legal reserve | | 49,088 | 49,088 | 43,695 | 43,695 |
| Corporate social responsibility reserve | 13 | 25,060 | 25,060 | 25,060 | 25,060 |
| Unappropriated | | 2,487,484 | 2,226,343 | 866,838 | 802,173 |
| Other components of shareholders' equity | | (297,559) | (225,534) | - | - |
| Equity attributable to owners | | | | | |
| of the parent | | 4,878,825 | 4,679,804 | 3,550,345 | 3,475,775 |
| Non-controlling interests | | 34 | 6 | - | - |
| Total shareholders' equity | | 4,878,859 | 4,679,810 | 3,550,345 | 3,475,775 |
| Total liabilities and shareholders' equity | | 8,326,657 | 7,940,973 | 4,543,559 | 4,284,691 |

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

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of comprehensive income (Unaudited)

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|-------|--------------------------------------|------------------|----------------------------------|----------------|
| | | Three-month period ended | | Three-month period ended | |
| | | 30 September | | 30 September | |
| | | 2017 | 2016 | 2017 | 2016 |
| <i>(in thousand Baht)</i> | | | | | |
| Income | | | | | |
| Revenue from sales of goods and rendering of services | 4, 14 | 2,407,099 | 2,175,597 | 848,078 | 702,931 |
| Investment income | | 4,132 | 3,662 | 3,434 | 2,723 |
| Other income | 4 | 6,178 | 5,016 | 3,760 | 2,823 |
| Total income | | 2,417,409 | 2,184,275 | 855,272 | 708,477 |
| Expenses | | | | | |
| Cost of sales of goods and rendering of services | 4 | 1,327,190 | 1,280,446 | 426,188 | 347,931 |
| Selling expenses | 4 | 448,625 | 431,173 | 99,543 | 99,500 |
| Administrative expenses | 4 | 294,773 | 252,277 | 91,031 | 80,576 |
| Net foreign exchange loss | | 55,183 | 19,871 | 15,545 | 12,800 |
| Finance costs | | 5,862 | 6,816 | 1,602 | 1,301 |
| Total expenses | | 2,131,633 | 1,990,583 | 633,909 | 542,108 |
| Share of loss of joint venture | | (896) | - | - | - |
| Profit before income tax expense | | 284,880 | 193,692 | 221,363 | 166,369 |
| Tax income (expense) | | (38,857) | (25,839) | (17,363) | (10,044) |
| Profit for the period | | 246,023 | 167,853 | 204,000 | 156,325 |
| Other comprehensive income | | | | | |
| <i>Components of other comprehensive income that will be reclassified to profit or loss</i> | | | | | |
| Exchange differences on translating financial statements | | (19,629) | (33,078) | - | - |
| Other comprehensive expense for the period, net of income tax | | (19,629) | (33,078) | - | - |
| Total comprehensive income for the period | | 226,394 | 134,775 | 204,000 | 156,325 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 246,007 | 167,892 | 204,000 | 156,325 |
| Non-controlling interests | | 16 | (39) | - | - |
| Profit for the period | | 246,023 | 167,853 | 204,000 | 156,325 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 226,379 | 134,813 | 204,000 | 156,325 |
| Non-controlling interests | | 15 | (38) | - | - |
| Total comprehensive income for the period | | 226,394 | 134,775 | 204,000 | 156,325 |
| Basic earnings per share (in Baht) | 16 | 0.28 | 0.19 | 0.24 | 0.18 |
| Diluted earnings per share (in Baht) | 16 | 0.28 | 0.19 | 0.24 | 0.18 |

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> | 2017 | 2016 | 2017 | 2016 |
| | | <i>(in thousand Baht)</i> | | | |
| <i>Income</i> | | | | | |
| Revenue from sales of goods and rendering of services | 4, 14 | 6,898,522 | 6,214,731 | 2,324,100 | 2,035,934 |
| Investment income | | 12,601 | 11,332 | 8,797 | 9,157 |
| Other income | 4 | 15,659 | 13,349 | 8,980 | 7,731 |
| Total income | | 6,926,782 | 6,239,412 | 2,341,877 | 2,052,822 |
| <i>Expenses</i> | | | | | |
| Cost of sales of goods and rendering of services | 4 | 3,840,208 | 3,634,138 | 1,184,001 | 1,088,279 |
| Selling expenses | 4 | 1,350,479 | 1,145,318 | 289,094 | 247,292 |
| Administrative expenses | 4 | 823,804 | 774,598 | 257,163 | 246,836 |
| Net foreign exchange loss | | 46,988 | 81,823 | 40,540 | 31,412 |
| Finance costs | | 19,819 | 14,724 | 4,022 | 4,290 |
| Total expenses | | 6,081,298 | 5,650,601 | 1,774,820 | 1,618,109 |
| Share of loss of joint venture | 7 | (1,390) | - | - | - |
| Profit before income tax expense | | 844,094 | 588,811 | 567,057 | 434,713 |
| Tax expense | 15 | (115,689) | (88,846) | (35,158) | (31,299) |
| Profit for the period | | 728,405 | 499,965 | 531,899 | 403,414 |
| Other comprehensive income | | | | | |
| <i>Components of other comprehensive income that will be reclassified to profit or loss</i> | | | | | |
| Exchange differences on translating financial statements | | (72,027) | (42,398) | - | - |
| Other comprehensive expense for the period, net of tax | | (72,027) | (42,398) | - | - |
| Total comprehensive income for the period | | 656,378 | 457,567 | 531,899 | 403,414 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 728,375 | 499,940 | 531,899 | 403,414 |
| Non-controlling interests | | 30 | 25 | - | - |
| Profit for the period | | 728,405 | 499,965 | 531,899 | 403,414 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 656,350 | 457,539 | 531,899 | 403,414 |
| Non-controlling interests | | 28 | 28 | - | - |
| Total comprehensive income for the period | | 656,378 | 457,567 | 531,899 | 403,414 |
| Basic earnings per share (in Baht) | 16 | 0.84 | 0.58 | 0.61 | 0.47 |
| Diluted earnings per share (in Baht) | 16 | 0.84 | 0.58 | 0.61 | 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

| | Note | Issued and paid-up share capital | Share premium | Warrants | Retained earnings | | | Other component of shareholders' equity | | Equity attributable to owners of the Company | Non-controlling interests | Total equity |
|---|------|----------------------------------|------------------|---------------|-------------------|---|------------------|---|--|--|---------------------------|------------------|
| | | | | | Legal reserve | Corporate social responsibility reserve | Unappropriated | Translation of financial statements | Total other components of shareholders' equity | | | |
| <i>(in thousand Baht)</i> | | | | | | | | | | | | |
| 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) | (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 parent</i> | | | | | | | | | | | | |
| Dividends to owners of the Company | 17 | - | - | - | - | - | (406,667) | - | - | (406,667) | - | (406,667) |
| Share-based payment transactions | 12 | - | - | 10,812 | - | - | - | - | - | 10,812 | - | 10,812 |
| Total contributions by and distributions to owners of the parent | | - | - | 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) | (42,401) | 3 | (42,398) |
| Total comprehensive income for the period | | - | - | - | - | - | 499,940 | (42,401) | (42,401) | 457,539 | 28 | 457,567 |
| Transfer to corporate social responsibility reserve | 13 | - | - | - | - | 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) | (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)

Consolidated financial statements

| | Note | Issued and paid-up share capital | Share premium | Warrants | Retained earnings | | | Other component of shareholders' equity | | | Non-controlling interests | Total equity |
|---|------|----------------------------------|------------------|---------------|-------------------|---|------------------|---|--|--|---------------------------|------------------|
| | | | | | Legal reserve | Corporate social responsibility reserve | Unappropriated | Translation of financial statements | Total other components of shareholders' equity | Equity attributable to owners of the Company | | |
| <i>(in thousand Baht)</i> | | | | | | | | | | | | |
| Nine-month period ended 30 September 2017 | | | | | | | | | | | | |
| Balance at 1 January 2017 | | 432,625 | 2,138,104 | 34,118 | 49,088 | 25,060 | 2,226,343 | (225,534) | (225,534) | 4,679,804 | 6 | 4,679,810 |
| Transactions with owners, recorded directly in equity | | | | | | | | | | | | |
| <i>Contributions by and distributions to owners of the parent</i> | | | | | | | | | | | | |
| Dividends to owners of the Company | 17 | - | - | - | - | - | (467,234) | - | - | (467,234) | - | (467,234) |
| Share-based payment transactions | 12 | - | - | 9,905 | - | - | - | - | - | 9,905 | - | 9,905 |
| Total contributions by and distributions to owners of the parent | | - | - | 9,905 | - | - | (467,234) | - | - | (457,329) | - | (457,329) |
| Comprehensive income for the period | | | | | | | | | | | | |
| Profit | | - | - | - | - | - | 728,375 | - | - | 728,375 | 30 | 728,405 |
| Other comprehensive income | | - | - | - | - | - | - | (72,025) | (72,025) | (72,025) | (2) | (72,027) |
| Total comprehensive income for the period | | - | - | - | - | - | 728,375 | (72,025) | (72,025) | 656,350 | 28 | 656,378 |
| Balance at 30 September 2017 | | 432,625 | 2,138,104 | 44,023 | 49,088 | 25,060 | 2,487,484 | (297,559) | (297,559) | 4,878,825 | 34 | 4,878,859 |

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

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of changes in equity (Unaudited)

| | Note | Issued and paid-up share capital | Share premium | Warrants | Separate financial statements | | Unappropriated | Total equity |
|--|------|--|------------------|---------------|-------------------------------|--|------------------|------------------|
| | | | | | Legal reserve | Retained earnings Corporate social responsibility reserve | | |
| <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 | 17 | - | - | - | - | - | (406,667) | (406,667) |
| Share-based payment transactions | 12 | - | - | 10,812 | - | - | - | 10,812 |
| Total contributions by and distributions to owners of the Company | | - | - | 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 | 13 | - | - | - | - | 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 changes in equity (Unaudited)

| | Note | Issued and paid-up share capital | Share premium | Warrants | Separate financial statements | | Unappropriated | Total equity |
|--|------|--|------------------|---------------|-------------------------------|--|------------------|------------------|
| | | | | | Legal reserve | Retained earnings Corporate social responsibility reserve | | |
| <i>(in thousand Baht)</i> | | | | | | | | |
| Nine-month period ended 30 September 2017 | | | | | | | | |
| Balance at 1 January 2017 | | 432,625 | 2,138,104 | 34,118 | 43,695 | 25,060 | 802,173 | 3,475,775 |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| <i>Contributions by and distributions to owners of the Company</i> | | | | | | | | |
| Dividends to owners of the Company | 17 | - | - | - | - | - | (467,234) | (467,234) |
| Share-based payment transactions | 12 | - | - | 9,905 | - | - | - | 9,905 |
| Total contributions by and distributions to owners of the Company | | - | - | 9,905 | - | - | (467,234) | (457,329) |
| Comprehensive income for the period | | | | | | | | |
| Profit | | - | - | - | - | - | 531,899 | 531,899 |
| Other comprehensive income | | - | - | - | - | - | - | - |
| Total comprehensive income for the period | | - | - | - | - | - | 531,899 | 531,899 |
| Balance at 30 September 2017 | | 432,625 | 2,138,104 | 44,023 | 43,695 | 25,060 | 866,838 | 3,550,345 |

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 | |
| | | 2017 | 2016 | 2017 | 2016 |
| <i>(in thousand Baht)</i> | | | | | |
| <i>Cash flows from operating activities</i> | | | | | |
| Profit for the period | | 728,405 | 499,965 | 531,899 | 403,414 |
| <i>Adjustments for reconcile to cash receipts</i> | | | | | |
| Depreciation | | 108,608 | 105,842 | 58,305 | 54,214 |
| Amortisation of intangible assets | | 6,068 | 5,493 | 838 | 989 |
| (Reversal of) allowance on decline in value of inventories | | 28,276 | 25,384 | 9,652 | (290) |
| Investment income | | (12,601) | (11,332) | (8,797) | (9,157) |
| Finance costs | | 19,819 | 14,724 | 4,022 | 4,290 |
| Allowance for doubtful accounts | 6 | 6,623 | 3,013 | 1,650 | 1,240 |
| Unrealised loss on exchange rate | | 25,587 | 116,034 | 40,459 | 71,080 |
| Gain on disposal of equipment | | (657) | (355) | - | - |
| Employee benefit obligations | | 12,769 | 11,219 | 10,212 | 6,447 |
| Share-based payment transaction | 12 | 9,905 | 10,812 | 1,074 | 1,074 |
| Share of loss of joint venture | | 1,390 | - | - | - |
| Tax expense | 15 | 115,689 | 88,846 | 35,158 | 31,299 |
| | | <u>1,049,881</u> | <u>869,645</u> | <u>684,472</u> | <u>564,600</u> |
| <i>Changes in operating assets and liabilities</i> | | | | | |
| Trade accounts receivable | | (84,274) | 162,627 | (130,555) | 103,510 |
| Other current receivables | | (69,235) | (376) | (39,725) | (17,478) |
| Inventories | | (431,812) | 41,839 | (165,515) | 48,194 |
| Advances to suppliers and distributors | | 15,233 | 33,351 | 3,125 | 17,613 |
| Redemption (deposit) of restricted deposits | | | | | |
| at financial institutions | | 10,898 | (16,195) | - | - |
| Other non-current assets | | 1,447 | (47,033) | (13) | (47,094) |
| Trade accounts payable | | 92,526 | (32,960) | 6,602 | 38,865 |
| Other current payables | | 133,624 | 30,039 | 7,084 | 5,897 |
| Accrued expenses | | 19,478 | (7,103) | 899 | (3,048) |
| Other non-current liabilities | | (2,552) | (46) | - | - |
| Employee benefit obligations paid | | (1,802) | (2,397) | (161) | (2,250) |
| Net cash generated from operating activities | | <u>733,412</u> | <u>1,031,391</u> | <u>366,213</u> | <u>708,809</u> |
| Tax paid | | <u>(110,960)</u> | <u>(126,505)</u> | <u>(28,316)</u> | <u>(43,699)</u> |
| Net cash from operating activities | | <u>622,452</u> | <u>904,886</u> | <u>337,897</u> | <u>665,110</u> |

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

Mega Lifesciences Public Company Limited and its Subsidiaries

Statement of cash flows (Unaudited)

| | Consolidated | | Separate | |
|--|---|------------------|---|------------------|
| | financial statements | | financial statements | |
| | Nine-month period ended 30 September | | Nine-month period ended 30 September | |
| <i>Note</i> | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| <i>Cash flows from investing activities</i> | | | | |
| Interest received | 14,158 | 27,102 | 10,496 | 25,345 |
| Purchase of property, plant and equipment | (151,369) | (247,479) | (29,017) | (206,352) |
| Prepaid rent for leased land | (45,331) | (150,991) | - | - |
| Additional investment in subsidiary | 8 | - | (17,214) | (8,105) |
| Short-term loan to related party | - | - | (11,239) | - |
| Purchase of intangible assets | (714) | (13,178) | - | (3,178) |
| Redemption of current investments | 650,938 | 951,111 | 650,938 | 951,111 |
| Purchase of current investments | (477,559) | (650,938) | (457,539) | (650,938) |
| Purchase of long term investments | (203,267) | - | (203,267) | - |
| Proceed from sale of equipment | 1,227 | 621 | - | - |
| Net cash from (used in) investing activities | (211,917) | (83,752) | (56,842) | 107,883 |
| <i>Cash flows from financing activities</i> | | | | |
| Finance cost paid | (19,020) | (14,736) | (4,038) | (4,302) |
| Dividends paid | (467,272) | (407,364) | (467,272) | (407,364) |
| Payment by a lessee for reduction of the outstanding liability relating to a finance lease | (6,165) | (6,249) | - | (62) |
| Increase in bank overdrafts and short-term loans from financial institutions | 25,958 | 21,142 | 142,220 | 16,657 |
| Repayment of borrowings | - | (96,393) | - | (46,687) |
| Net cash used in financing activities | (466,499) | (503,600) | (329,090) | (441,758) |
| Net increase (decrease) in cash and cash equivalents | (55,964) | 317,534 | (48,035) | 331,235 |
| Cash and cash equivalents at the beginning of the period | 565,856 | 515,679 | 104,914 | 81,870 |
| Effect of exchange rate changes on cash and cash equivalents | (33,367) | (23,973) | - | - |
| Cash and cash equivalents at ending of the period | 476,525 | 809,240 | 56,879 | 413,105 |
| <i>Non-cash transactions</i> | | | | |
| Capitalisation of rental expense during the construction of qualifying asset | 6,528 | - | - | - |

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

Mega Lifesciences Public Company Limited and its Subsidiaries
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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 Audit Committee on 10 November 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, Ukraine, Philippines, Kenya, India, Russia 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 30 September 2017 are given in notes 4, 7 and 8.

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.

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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 2016.

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 18 - financial instruments.

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
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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.

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 |
| | 617,656 |

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 equipment | 4,267 | - | 4,267 |
| Intangible assets | 292 | 279,456 | 279,748 |
| 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 liabilities | <u>98,169</u> | <u>302,030</u> | <u>400,199</u> |
| Goodwill | | | <u>217,457</u> |
| Consideration transferred | | | <u>617,656</u> |
| Cash paid | | | 617,656 |
| Net cash acquired | | | <u>(25,445)</u> |
| Net cash outflows | | | <u>592,211</u> |

At the date of original issuance of the consolidated financial statement for the year ended 31 December 2016, the fair value of business acquired had been provisionally assessed by management. Independent appraisal report determining the fair value was subsequently finalized. The purchase price allocation was completed in August 2017. The fair value of the business acquired was adjusted accordingly in the consolidated financial statements for the year ended 31 December 2016. The consolidated statement of financial position as at 31 December 2016 included in these interim financial statements has been restated to reflect the trademark and goodwill of Baht 343.3 million and Baht 153.6 million, respectively, as previously preliminarily assessed and reported, to Baht 279.5 million and Baht 217.5 million, respectively. Goodwill of Baht 215.2 million in the consolidated statement of financial position as at 30 September 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
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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 7 and 8. 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. |

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

| Transactions | Pricing policies |
|---|---|
| Sale of goods and rendering of services | 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 2017 and 2016 with related parties were as follows:

| | Consolidated financial statements | | Separate financial statements | |
|--|--|-------------|--------------------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Three-month period ended 30 September | | | | |
| | <i>(in thousand Baht)</i> | | | |
| Subsidiaries | | | | |
| Sale of goods and rendering of service | - | - | 367,082 | 252,618 |
| Purchase of goods or receiving of service | - | - | 16,077 | 13,429 |
| Commission expense | - | - | 4,212 | 9,484 |
| Interest income | - | - | 225 | - |
| Other income | - | - | 255 | 118 |
| Advertising expenses | - | - | 1,977 | 4,393 |
| Support service expense | - | - | 12,748 | 11,847 |

Mega Lifesciences Public Company Limited and its Subsidiaries
Notes to the interim financial statements
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| <i>Three-month period ended 30 September</i> | Consolidated financial statements | | Separate financial statements | |
|--|--|---------------|--|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Key management personnel | | | | |
| Key management personnel compensation | | | | |
| Short-term employee benefit | 38,118 | 31,391 | 4,397 | 4,136 |
| Post-employment benefits | 316 | 297 | 205 | 190 |
| Expense for employee stock option plan | 72 | 72 | 72 | 72 |
| Total key management personnel compensation | 38,506 | 31,760 | 4,674 | 4,398 |
| Directors' remuneration | 1,860 | 1,860 | 1,860 | 1,860 |
| Other related parties | | | | |
| Sale of goods | 6,976 | 10,706 | 6,976 | 10,706 |
| Purchase of goods or receiving of services | 3,233 | 2,753 | 1,768 | 1,711 |
| Business support charges | 168 | 3,487 | 168 | 3,487 |
| | | | | |
| <i>Nine-month period ended 30 September</i> | Consolidated financial statements | | Separate financial statements | |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Subsidiaries | | | | |
| Sale of goods and rendering of service | - | - | 982,278 | 815,851 |
| Purchase of goods or receiving of service | - | - | 45,634 | 38,586 |
| Commission expense | - | - | 9,606 | 28,362 |
| Interest income | - | - | 541 | - |
| Other income | - | - | 385 | 950 |
| Advertising expense | - | - | 4,209 | 11,883 |
| Support service expense | - | - | 44,546 | 38,818 |
| Key management personnel | | | | |
| Key management personnel compensation | | | | |
| Short-term employee benefit | 121,764 | 95,491 | 13,065 | 12,567 |
| Post-employment benefits | 947 | 891 | 613 | 571 |
| Expense for employee stock option plan | 215 | 215 | 215 | 215 |
| Total key management personnel compensation | 122,926 | 96,597 | 13,893 | 13,353 |
| Directors' remuneration | 5,580 | 5,580 | 5,580 | 5,580 |
| Other related parties | | | | |
| Sale of goods | 14,628 | 18,921 | 14,628 | 18,921 |
| Purchase of goods or receiving of services | 8,308 | 8,326 | 5,007 | 5,064 |
| Business support charges | 1,204 | 10,192 | 1,204 | 10,192 |

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Notes to the interim financial statements
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Balances as at 30 September 2017 and 31 December 2016 with related parties were as follows:

| <i>Trade accounts receivable - related parties</i> | Consolidated | | Separate | |
|--|-----------------------------|---------------|-----------------------------|----------------|
| | financial statements | | financial statements | |
| | 30 | 31 | 30 | 31 |
| | September | December | September | December |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Subsidiaries | - | - | 528,324 | 555,379 |
| Other related parties | 16,704 | 36,463 | 16,704 | 36,463 |
| Total | 16,704 | 36,463 | 545,028 | 591,842 |

| <i>Other current receivables - related parties</i> | Consolidated | | Separate | |
|--|-----------------------------|------------|-----------------------------|--------------|
| | financial statements | | financial statements | |
| | 30 | 31 | 30 | 31 |
| | September | December | September | December |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Subsidiaries | - | - | 21,179 | 7,907 |
| Other related parties | 1,598 | 187 | 741 | - |
| Total | 1,598 | 187 | 21,920 | 7,907 |

| <i>Loans to and interest receivable from related parties</i> | Interest rate | | Consolidated | | Separate | |
|---|----------------------|----------|-----------------------------|----------|-----------------------------|---------------|
| | | | financial statements | | financial statements | |
| | 30 | 31 | 30 | 31 | 30 | 31 |
| | September | December | September | December | September | December |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | <i>(% per annum)</i> | | <i>(in thousand Baht)</i> | | | |
| <i>Short-term loans</i> | | | | | | |
| Subsidiaries | 1.92 | 1.75 | - | - | 44,276 | 33,037 |
| Short-term loans to and interest receivable from related parties | | | - | - | 44,276 | 33,037 |

Movements during nine-month period ended 30 September 2017 and 2016 of loans to related parties were as follows:

| | Consolidated | | Separate | |
|------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | financial statements | financial statements | financial statements | financial statements |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| <i>Subsidiaries</i> | | | | |
| At 1 January | - | - | 33,037 | - |
| Increase | - | - | 11,239 | - |
| At 30 September | - | - | 44,276 | - |

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| <i>Trade accounts payable - related parties</i> | Consolidated | | Separate | |
|---|-----------------------------|----------|-----------------------------|---------------|
| | financial statements | | financial statements | |
| | 30 | 31 | 30 | 31 |
| | September | December | September | December |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Subsidiaries | - | - | 31,413 | 33,422 |
| Total | - | - | 31,413 | 33,422 |

| <i>Other current payables - related parties</i> | Consolidated | | Separate | |
|---|-----------------------------|-----------|-----------------------------|---------------|
| | financial statements | | financial statements | |
| | 30 | 31 | 30 | 31 |
| | September | December | September | December |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Subsidiaries | - | - | 29,220 | 40,814 |
| Other related parties | 1,318 | 92 | 1,204 | - |
| Total | 1,318 | 92 | 30,424 | 40,814 |

Significant agreements with related parties

As at 30 September 2017, the Group had the following significant agreements with related parties.

Loan agreements

The Company entered into a loan agreement with a subsidiary in Thailand for an amount of Baht 24 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 in Thailand 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.

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.

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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 Other investments

| | Consolidated financial statements | | Separate financial statements | |
|---|--------------------------------------|------------------------|----------------------------------|------------------------|
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | <i>(in thousand Baht)</i> | | | |
| <i>Current investments</i> | | | | |
| Short-term deposits at financial institutions | 477,559 | 650,938 | 457,538 | 650,938 |
| | <u>477,559</u> | <u>650,938</u> | <u>457,538</u> | <u>650,938</u> |
| <i>Other long-term investments</i> | | | | |
| Long-term deposit at financial institution | 203,267 | - | 203,267 | - |
| | <u>203,267</u> | <u>-</u> | <u>203,267</u> | <u>-</u> |
| Total | <u>680,826</u> | <u>650,938</u> | <u>660,805</u> | <u>650,938</u> |

Current investments consisted of short-term deposits at financial institutions with maturity over 3 months but within 1 year and were denominated in Thai Baht and United States Dollars.

Other long-term investment was long-term deposit at financial institution with maturity over 1 year and was denominated in Thai Baht.

6 Trade accounts receivable

| | Note | Consolidated financial statements | | Separate financial statements | |
|---|------|--------------------------------------|-------------------------|----------------------------------|-------------------------|
| | | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | | <i>(in thousand Baht)</i> | | | |
| Related parties | 4 | 16,704 | 36,463 | 545,028 | 591,842 |
| Other parties | | 2,220,530 | 2,225,508 | 636,136 | 500,895 |
| Total | | <u>2,237,234</u> | <u>2,261,971</u> | <u>1,181,164</u> | <u>1,092,737</u> |
| Less allowance for doubtful accounts | | (32,859) | (28,939) | (20,540) | (18,908) |
| Net | | <u>2,204,375</u> | <u>2,233,032</u> | <u>1,160,624</u> | <u>1,073,829</u> |
| Bad and doubtful debts expense for the nine-month period ended 30 September | | <u>6,623</u> | <u>3,013</u> | <u>1,650</u> | <u>1,240</u> |

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Aging analyses for trade accounts receivable are as follows:

| | Consolidated | | Separate | |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | financial statements | financial statements | financial statements | financial statements |
| | 30 | 31 | 30 | 31 |
| | September | December | September | December |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Related parties | | | | |
| Within credit terms | 16,189 | 24,991 | 457,640 | 476,945 |
| Overdue: | | | | |
| Less than 3 months | - | - | 41,484 | 25,221 |
| 3 - 6 months | - | 2,577 | 28,959 | 32,285 |
| 6 - 12 months | - | 4,200 | 8,810 | 52,523 |
| Over 12 months | 515 | 4,695 | 8,135 | 4,868 |
| | <u>16,704</u> | <u>36,463</u> | <u>545,028</u> | <u>591,842</u> |
| Other parties | | | | |
| Within credit terms | 1,627,804 | 1,681,595 | 329,598 | 283,194 |
| Overdue: | | | | |
| Less than 3 months | 369,368 | 463,718 | 147,700 | 180,996 |
| 3 - 6 months | 153,564 | 37,290 | 114,233 | 14,400 |
| 6 - 12 months | 43,543 | 14,077 | 28,606 | 5,875 |
| Over 12 months | 26,251 | 28,828 | 15,999 | 16,430 |
| | <u>2,220,530</u> | <u>2,225,508</u> | <u>636,136</u> | <u>500,895</u> |
| Less allowance for doubtful accounts | <u>(32,859)</u> | <u>(28,939)</u> | <u>(20,540)</u> | <u>(18,908)</u> |
| | <u>2,187,671</u> | <u>2,196,569</u> | <u>615,596</u> | <u>481,987</u> |
| Net | <u>2,204,375</u> | <u>2,233,032</u> | <u>1,160,624</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.

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7 Investments in associate and joint venture

Investments in an associate and joint venture as at 30 September 2017 and 31 December 2016 were as follows:

| Consolidated financial statements | | | | | | | | | | |
|--|----------------------------|--------------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|-------------------|------------------|
| | Type of business | Country of incorporation | Ownership interest | | Paid-up capital | | Cost | | Equity | |
| | | | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | | | (%) | | | | (in thousand Baht) | | | |
| Indirect associate | | | | | | | | | | |
| 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's indirect associate is not publicly listed and consequently does not have published price quotations.

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 30 September 2017, the Group's cumulative share of unrecognised losses was Baht 4.8 million (31 December 2016: Baht 5.15 million), of which the Group's share of profits for the nine-month period ended 30 September 2017 was Baht 0.03 million (30 September 2016: losses of Baht 1.12 million). The Group has no obligation in respect of accumulated losses.

| Consolidated/Separate financial statements | | | | | | | | | | |
|---|---------------------------|--------------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|-------------------|------------------|
| | Type of business | Country of incorporation | Ownership interest | | Paid-up capital | | Cost | | Equity | |
| | | | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | | | (%) | | | | (in thousand Baht) | | | |
| Joint venture | | | | | | | | | | |
| Mega Malee Company Limited | Branded products business | Thailand | 51.00 | 51.00 | 10,000 | 10,000 | 5,100 | 5,100 | 3,528 | 4,918 |
| Total | | | | | | | 5,100 | 5,100 | 3,528 | 4,918 |

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The Group's joint venture is not publicly listed and consequently does not have published price quotations. During the three-month and nine-month periods ended 30 September 2017, the Group recognized share of loss of joint venture of Baht 0.9 million and Baht 1.4 million, respectively. (*the three-month and nine-month periods ended 30 September 2016: nil*)

8 Investments in subsidiaries

| | Separate financial statements | |
|------------------------|--|----------------|
| | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | |
| At 1 January | 718,929 | 71,574 |
| Increase | 26,045 | 17,843 |
| At 30 September | 744,974 | 89,417 |
| At 31 December | | 718,929 |

Employee stock option plan

Additional investments in subsidiaries of Baht 8.8 million resulted from Employee Stock Option Plan granted to employees of the Company's subsidiaries during the nine-month period ended 30 September 2017 (*2016: Baht 9.7 million*) (see note 12).

Additional investment in direct subsidiaries

During the nine-month period ended 30 September 2017, the Company made an additional investment of Baht 17.3 million to acquire minority shares and voting interests in Mega Lifesciences Sdn.Bhd, a direct subsidiary in Malaysia, in order to expand the business.

During the nine-month period ended 30 September 2016, the Company made an additional investment of Baht 3 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 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 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.

Additional investment in indirect subsidiaries

During the nine-month period ended 30 September 2017, Mega Lifesciences PTY Limited (Thailand), a subsidiary, made an additional investment of Baht 121.0 million in the issued and paid up capital of Maxxcare Limited (Myanmar), an indirect subsidiary of the Company, in order to expand the business.

During the nine-month period ended 30 September 2016, Mega Lifesciences PTY Limited (Thailand), a subsidiary, made an investment of Baht 167.9 million in the issued and paid up capital of Maxxcare Limited (Myanmar), an indirect subsidiary of the Company, in order to expand the business.

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Investments in subsidiaries as at 30 September 2017 and 31 December 2016 and dividend income from those investments for the nine-month periods ended 30 September 2017 and 2016 were as follows:

| | Type of business | Country of incorporation | Ownership interest | | Paid-up capital | | Cost | | Dividend income | |
|--|--|--------------------------|--------------------|------------------|-------------------|------------------|---------------------------|------------------|-------------------|-------------------|
| | | | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 30 September 2016 |
| | | | (%) | | | | <i>(in thousand Baht)</i> | | | |
| <i>Direct subsidiaries</i> | | | | | | | | | | |
| Mega Lifesciences PTY Limited | Branded products and distribution business | Thailand | 99.99 | 99.99 | 50,000 | 50,000 | 88,771 | 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 | 99.99 | 97.89 | 643,781 | 643,781 | 644,258 | 626,937 | - | - |
| Total direct subsidiaries | | | | | | | 744,974 | 718,929 | - | - |
| <i>Indirect subsidiaries (investment through Mega Lifesciences PTY Limited, Thailand)</i> | | | | | | | | | | |
| Mega Lifesciences (Australia) Pty. Limited | Branded and OEM products business | Australia | 99.99 | 99.99 | 468,294 | 468,294 | 469,917 | 469,552 | - | - |
| Mega Lifesciences (Vietnam) Limited | Branded products and distribution business | Vietnam | 99.99 | 99.99 | 107,959 | 107,959 | 111,205 | 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 and distribution business | Cambodia | 99.99 | 99.99 | 15,281 | 15,281 | 17,667 | 17,130 | - | - |

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| | Type of business | Country of incorporation | Ownership interest | | Paid-up capital | | Cost | | Dividend income | |
|---|--|--------------------------|--------------------|------------------|-------------------|------------------|--------------------|------------------|-------------------|-------------------|
| | | | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 | 30 September 2017 | 30 September 2016 |
| | | | (%) | | | | (in thousand Baht) | | | |
| Mega Lifesciences Nigeria Limited | Branded products and distribution business | Nigeria | 99.99 | 99.99 | 14,885 | 14,885 | 16,890 | 16,439 | - | - |
| Mega Lifesciences Ghana Limited | Branded products business | Ghana | 99.99 | 99.99 | 9,469 | 9,469 | 9,946 | 9,839 | - | - |
| Mega Lifesciences Private Limited | Branded products business | India | 99.99 | 99.99 | 4,777 | 4,777 | 6,686 | 6,257 | - | - |
| Mega Lifesciences Limited | Distribution business | Myanmar | 99.99 | 99.99 | 2,534 | 2,534 | 10,001 | 8,321 | 3,357 | - |
| 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 | 3,465 | 2,777 | - | - |
| 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 | 1,053 | 838 | - | - |
| MAXXCARE Limited | Distribution business | Myanmar | 100.00 | 100.00 | 167,856 | 167,856 | 288,861 | 167,856 | - | - |
| | | | | | | | 951,358 | 825,150 | 3,357 | - |
| Indirect subsidiaries (investment through Mega Lifesciences Sdn.Bhd) | | | | | | | | | | |
| Bio-Life Marketing Sdn. Bhd. | Branded products business | Malaysia | 100.00 | 100.00 | 11,977 | 11,977 | 617,656 | 617,656 | - | - |
| Total indirect subsidiaries | | | | | | | 1,569,014 | 1,442,806 | 3,357 | - |

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9 Property, plant and equipment

Acquisitions, disposals and transfers of property, plant and equipment during the nine-month periods ended 30 September 2017 and 2016 were as follows:

| <i>Nine-month period ended 30 September</i> | Consolidated financial statements | | | |
|---|---|--|---|--|
| | 2017 | | 2016 | |
| | 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 | 1,260 | - | 167,399 | - |
| Building and building improvements | 2,030 | - | 28,625 | - |
| Leasehold improvements | 4,679 | 277 | 1,300 | - |
| Machinery and equipment | 23,680 | (9) | 41,693 | - |
| Furniture, fixtures and office equipment | 23,525 | (47) | 16,006 | 17 |
| Vehicles | 11,240 | 111 | 6,365 | 221 |
| Assets under construction | 91,748 | 266 | 2,968 | 16,877 |
| Exchange differences | (18,634) | - | (17,204) | - |
| Total | 139,528 | 598 | 247,152 | 17,115 |

| <i>Nine-month period ended 30 September</i> | Separate financial statements | | | |
|---|---|--|---|--|
| | 2017 | | 2016 | |
| | 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 | 923 | - | 167,399 | - |
| Building and building improvements | 645 | - | 9,867 | - |
| Machinery and equipment | 19,975 | - | 37,244 | - |
| Furniture, fixtures and office equipment | 1,940 | - | 3,221 | - |
| Vehicles | - | - | 530 | - |
| Assets under construction | 5,534 | - | 2,968 | 14,877 |
| Total | 29,017 | - | 221,229 | 14,877 |

Property, plant and equipment under construction

During the nine-month period ended 30 September 2017, the Group has been constructing new warehouse on leased land in Myanmar. Cumulative costs incurred up to 30 September 2017 amounted to Baht 83.6 million (31 December 2016: Baht 0.92 million).

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10 Deferred tax

Deferred tax assets and liabilities as at 30 September 2017 and 31 December 2016 were as follows:

| | Consolidated financial statements | | | |
|--|--|---------------------|----------------------|---------------------|
| | Assets | | Liabilities | |
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Total | 132,670 | 282,193 | (50,492) | (194,984) |
| Set off of tax | (49,975) | (194,110) | 49,975 | 194,110 |
| Net deferred tax assets (liabilities) | 82,695 | 88,083 | (517) | (874) |

| | Separate financial statements | | | |
|--------------------------------|--------------------------------------|---------------------|----------------------|---------------------|
| | Assets | | Liabilities | |
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Total | 58,741 | 43,524 | (15,567) | (10,553) |
| Set off of tax | (15,567) | (10,553) | 15,567 | 10,553 |
| Net deferred tax assets | 43,174 | 32,971 | - | - |

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 2017 and 2016 were as follows:

| | Consolidated financial statements | | | |
|--|--|--|---------------------------------|-------------------------------------|
| | At 1 January 2017 | (Charged) / Credited to: profit or loss (Note 15) <i>(in thousand Baht)</i> | Exchange differences | At 30 September 2017 |
| <i>Deferred tax assets</i> | | | | |
| Accounts receivable | 243,258 | (140,159) | (139) | 102,960 |
| Provision for employee benefits | 20,289 | (4,957) | (134) | 15,198 |
| Loss carry forward | 4,993 | 946 | (30) | 5,909 |
| Others | 13,653 | (3,793) | (1,257) | 8,603 |
| Total | 282,193 | (147,963) | (1,560) | 132,670 |
| <i>Deferred tax liabilities</i> | | | | |
| Inventories | 193,875 | (142,251) | - | 51,624 |
| Property, plant and equipment | 1,109 | (2,021) | (220) | (1,132) |
| Total | 194,984 | (144,272) | (220) | 50,492 |
| Net | 87,209 | (3,691) | (1,340) | 82,178 |

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| | Consolidated financial statements | | | At 30 September 2016 |
|---------------------------------|--|--|-------------------------|-------------------------------------|
| | At 1 January 2016 | (Charged) / Credited to: profit or loss (Note 15) (in thousand Baht) | Exchange differences | |
| Deferred tax assets | | | | |
| 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 |
| Deferred tax liabilities | | | | |
| 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 |

| | Separate financial statements | | |
|---------------------------------|--------------------------------------|---|-------------------------------------|
| | At 1 January 2017 | (Charged) / Credited to : profit or loss (Note 15) (in thousand Baht) | At 30 September 2017 |
| Deferred tax assets | | | |
| Accounts receivable | 31,523 | 16,151 | 47,674 |
| Provision for employee benefits | 11,711 | (1,268) | 10,443 |
| Others | 290 | 334 | 624 |
| Total | 43,524 | 15,217 | 58,741 |
| Deferred tax liabilities | | | |
| Inventories | 10,553 | 5,014 | 15,567 |
| Total | 10,553 | 5,014 | 15,567 |
| Net | 32,971 | 10,203 | 43,174 |

| | Separate financial statements | | |
|---------------------------------|--------------------------------------|---|-------------------------------------|
| | At 1 January 2016 | (Charged) / Credited to : profit or loss (Note 15) (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 |

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11 Trade accounts payable

| | Note | Consolidated financial statements | | Separate financial statements | |
|-----------------|------|--------------------------------------|---------------------|----------------------------------|---------------------|
| | | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | | <i>(in thousand Baht)</i> | | | |
| Related parties | 4 | - | - | 31,413 | 33,422 |
| Other parties | | 1,559,850 | 1,518,603 | 169,054 | 159,823 |
| Total | | 1,559,850 | 1,518,603 | 200,467 | 193,245 |

12 Warrants

Employee Stock Option Plan

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

Significant descriptions of the Employee Stock Option Plan

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

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The Group measured fair value of options using Black-Scholes model based on number of employees in employment on the reporting date to whom warrants have been awarded with the assumption that all of the option will be exercised at the exercisable period. The Group measured volatility based on three-month historical volatility per month extrapolated to 12 months.

Principal assumptions for options fair-value valuation are as follows:

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

The Group recorded the transaction for the employee stock option plan as follows:

| | Consolidated | | Separate | |
|---|-----------------------------|----------|-----------------------------|----------|
| | financial statements | | financial statements | |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | |
| <i>Statement of financial position as at 30 September 2017/ 31 December 2016</i> | | | | |
| Investments in subsidiaries | - | - | 39,251 | 30,420 |
| Warrants | (44,023) | (34,118) | (44,023) | (34,118) |
| <i>Statement of comprehensive income for the nine-month periods ended 30 September</i> | | | | |
| Administrative expenses | 9,905 | 10,812 | 1,074 | 1,074 |

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13 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 additional 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.

14 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 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.

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Information about reportable segments:

| <i>Three-month period ended 30 September</i> | Brands | | Distribution | | OEM | | Total | |
|--|---------------------------|------------------|---------------------|------------------|----------------|----------------|------------------|------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | | | | | |
| External revenue | 1,292,620 | 1,026,373 | 1,001,774 | 1,041,208 | 112,705 | 108,016 | 2,407,099 | 2,175,597 |
| Inter-segment revenue | (44,671) | (39,856) | 44,671 | 39,856 | - | - | - | - |
| Other income | 2,191 | 2,165 | 722 | 1,011 | 69 | 85 | 2,982 | 3,261 |
| Total segment revenue | 1,250,140 | 988,682 | 1,047,167 | 1,082,075 | 112,774 | 108,101 | 2,410,081 | 2,178,858 |
| Segment results before tax | 315,375 | 207,472 | 88,846 | 68,241 | 28,448 | 26,067 | 432,669 | 301,780 |
| | | | | | | | | |
| <i>Nine-month period ended 30 September</i> | Brands | | Distribution | | OEM | | Total | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | | | | | | | |
| External revenue | 3,663,319 | 3,074,248 | 2,869,161 | 2,850,112 | 366,042 | 290,371 | 6,898,522 | 6,214,731 |
| Inter-segment revenue | (130,670) | (114,654) | 130,670 | 114,654 | - | - | - | - |
| Other income | 6,579 | 6,500 | 2,961 | 3,835 | 275 | 250 | 9,815 | 10,585 |
| Total segment revenue | 3,539,228 | 2,966,094 | 3,002,792 | 2,968,601 | 366,317 | 290,621 | 6,908,337 | 6,225,316 |
| Segment results before tax | 812,356 | 626,347 | 268,215 | 248,786 | 97,298 | 55,395 | 1,177,869 | 930,528 |
| | | | | | | | | |
| Segment assets as at 30 September / 31 December | 2,988,311 | 2,851,280 | 2,132,767 | 1,895,431 | 203,909 | 204,110 | 5,324,987 | 4,950,821 |

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Reconciliation of reportable segment profit or loss and assets

| <i>Three-month period ended 30 September</i> | 2017 | 2016 |
|--|---------------------------|-------------------------|
| | <i>(in thousand Baht)</i> | |
| Profit or loss | | |
| Total profit for reportable segments | <u>432,669</u> | <u>301,780</u> |
| Unallocated amounts: | | |
| Other corporate expenses | (55,416) | (50,018) |
| Depreciation and amortisation | (37,759) | (36,800) |
| Finance costs | (5,862) | (6,816) |
| Investment income | 4,132 | 3,662 |
| Other income | 3,195 | 1,755 |
| Net foreign exchange loss | (55,183) | (19,871) |
| Share of loss from joint venture | (896) | - |
| Income tax expenses | <u>(38,857)</u> | <u>(25,839)</u> |
| Consolidated profit | <u>246,023</u> | <u>167,853</u> |
| | | |
| <i>Nine-month period ended 30 September</i> | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | |
| Profit or loss | | |
| Total profit for reportable segments | <u>1,177,869</u> | <u>930,528</u> |
| Unallocated amounts: | | |
| Other corporate expenses | (169,346) | (147,931) |
| Depreciation and amortization | (114,676) | (111,335) |
| Finance costs | (19,819) | (14,724) |
| Investment income | 12,601 | 11,332 |
| Other income | 5,843 | 2,764 |
| Net foreign exchange loss | (46,988) | (81,823) |
| Share of loss from joint venture | (1,390) | - |
| Income tax expenses | <u>(115,689)</u> | <u>(88,846)</u> |
| Consolidated profit | <u>728,405</u> | <u>499,965</u> |
| | | |
| | 30 September | 31 December |
| | 2017 | 2016 |
| | <i>(in thousand Baht)</i> | |
| Assets | | |
| Total assets for reportable segments | 5,324,987 | 4,950,821 |
| Other unallocated amounts | <u>3,001,670</u> | <u>2,990,152</u> |
| Consolidated total assets | <u>8,326,657</u> | <u>7,940,973</u> |

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15 Income tax expense

Income tax recognised in profit or loss

| <i>Nine-month period ended 30 September</i> | <i>Note</i> | Consolidated | | Separate | |
|---|-------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | financial statements | financial statements | financial statements | financial statements |
| | | 2017 | 2016 | 2017 | 2016 |
| | | <i>(in thousand Baht)</i> | | | |
| Current tax expense | | | | | |
| Current year | | 113,998 | 87,681 | 45,210 | 27,801 |
| Adjustment for prior years | | (2,000) | (179) | 151 | 355 |
| | | <u>111,998</u> | <u>87,502</u> | <u>45,361</u> | <u>28,156</u> |
| Deferred tax expense | | | | | |
| Movements in temporary differences | 10 | <u>3,691</u> | <u>1,344</u> | <u>(10,203)</u> | <u>3,143</u> |
| Total income tax expense | | <u>115,689</u> | <u>88,846</u> | <u>35,158</u> | <u>31,299</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 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.

16 Earnings per share

Basic earnings per share

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

| <i>Three-month period ended 30 September</i> | Consolidated | | Separate | |
|--|---|-----------------------------|-----------------------------|-----------------------------|
| | financial statements | financial statements | financial statements | financial statements |
| | 2017 | 2016 | 2017 | 2016 |
| | <i>(in thousand Baht / thousand shares)</i> | | | |
| Profit for the period attributable to ordinary shareholders of the Company | <u>246,007</u> | <u>167,892</u> | <u>204,000</u> | <u>156,325</u> |
| Number of ordinary shares outstanding | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> |
| Earnings per share (basic) (in Baht) | <u>0.28</u> | <u>0.19</u> | <u>0.24</u> | <u>0.18</u> |

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| | Consolidated financial statements | | Separate financial statements | |
|--|--|--------------------|--|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| <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>728,375</u> | <u>499,940</u> | <u>531,899</u> | <u>403,414</u> |
| Number of ordinary shares outstanding | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> |
| Earnings per share (basic) (in Baht) | <u>0.84</u> | <u>0.58</u> | <u>0.61</u> | <u>0.47</u> |

Diluted earnings per share

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

| | Consolidated financial statements | | Separate financial statements | |
|--|--|-----------------------|--|-----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| <i>Three-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>246,007</u> | <u>167,892</u> | <u>204,000</u> | <u>156,325</u> |
| Number of ordinary shares outstanding | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> |
| Effects of exercise of share warrants | <u>2,291</u> | <u>2,291</u> | <u>2,291</u> | <u>2,291</u> |
| Number of ordinary shares (diluted) | <u>867,540</u> | <u>867,540</u> | <u>867,540</u> | <u>867,540</u> |
| Earnings per share (diluted) (in Baht) | <u>0.28</u> | <u>0.19</u> | <u>0.24</u> | <u>0.18</u> |

| | Consolidated financial statements | | Separate financial statements | |
|--|--|-----------------------|--|-----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| <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>728,375</u> | <u>499,940</u> | <u>531,899</u> | <u>403,414</u> |
| Number of ordinary shares outstanding | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> | <u>865,249</u> |
| Effects of exercise of share warrants | <u>2,291</u> | <u>2,291</u> | <u>2,291</u> | <u>2,291</u> |
| Number of ordinary shares (diluted) | <u>867,540</u> | <u>867,540</u> | <u>867,540</u> | <u>867,540</u> |
| Earnings per share (diluted) (in Baht) | <u>0.84</u> | <u>0.58</u> | <u>0.61</u> | <u>0.47</u> |

17 Dividends

At the meeting of the Board of Directors held on 14 August 2017, the directors approved the appropriation of interim dividends of Baht 0.30 per share, amounting to Baht 259.6 million. The interim dividends were paid to shareholders during September 2017.

At the annual general meeting of the 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 207.7 million. The dividends were paid to shareholders during April 2017.

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

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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.

18 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.

| | Consolidated financial statements | | Separate financial statements | |
|---------------------------|--|------------|--|------------|
| | Carrying amount | Fair value | Carrying Amount | Fair value |
| | <i>(in thousand Baht)</i> | | | |
| 30 September 2017 | | | | |
| Finance lease liabilities | 8,370 | 7,971 | - | - |
| 31 December 2016 | | | | |
| Finance lease liabilities | 15,549 | 14,905 | - | - |

19 Commitments and contingent liabilities with non-related parties

| | Consolidated financial statements | | Separate financial statements | |
|---|--|------------------------|--|------------------------|
| | 30 September 2017 | 31 December 2016 | 30 September 2017 | 31 December 2016 |
| | <i>(in thousand Baht)</i> | | | |
| Capital commitments | | | | |
| Contracted but not provided for: | | | | |
| Land | 47,040 | 47,040 | 47,040 | 47,040 |
| Buildings and machineries | 225,482 | 19,348 | 48,494 | 17,324 |
| Total | 272,522 | 66,388 | 95,534 | 64,364 |
| Future minimum lease payment under non-cancellable operating lease | | | | |
| Within one year | 22,837 | 37,409 | 5,897 | 5,897 |
| After one year but within five years | 9,820 | 9,289 | - | 4,554 |
| After five years | 141,678 | - | - | - |
| Total | 174,335 | 46,698 | 5,897 | 10,451 |
| Other commitments | | | | |
| Purchase orders for goods and supplies | 17,194 | 7,160 | 17,194 | 7,160 |
| Bank guarantees | 141,024 | 295,145 | 141,024 | 265,142 |
| Total | 158,218 | 302,305 | 158,218 | 272,302 |

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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 20 years.

Distribution and service agreements

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

Contingent liabilities

As at 30 September 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*).

20 Thai Financial Reporting Standards (TFRS) not yet adopted

A number of revised TFRS have been issued but are not yet effective and have not been applied in preparing these interim financial statements. Those revised TFRS that may be relevant to the Group's/Company's operations, which become effective for annual financial periods beginning on or after 1 January 2018, are set out below. The Group/Company does not plan to adopt these TFRS early.

| TFRS | Topic |
|------------------------|---|
| TAS 1 (revised 2017) | Presentation of Financial Statements |
| TAS 2 (revised 2017) | Inventories |
| TAS 7 (revised 2017) | Statement of Cash Flows |
| TAS 8 (revised 2017) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (revised 2017) | Events After the Reporting Period |
| TAS 12 (revised 2017) | Income Taxes |
| TAS 16 (revised 2017) | Property, Plant and Equipment |
| TAS 17 (revised 2017) | Leases |
| TAS 18 (revised 2017) | Revenue |
| TAS 19 (revised 2017) | Employee Benefits |
| TAS 21 (revised 2017) | The Effects of Changes in Foreign Exchange Rates |
| TAS 23 (revised 2017) | Borrowing Costs |
| TAS 24 (revised 2017) | Related Party Disclosures |
| TAS 27 (revised 2017) | Separate Financial Statements |
| TAS 28 (revised 2017) | Investments in Associates and Joint Ventures |
| TAS 33 (revised 2017) | Earnings Per Share |
| TAS 34 (revised 2017) | Interim Financial Reporting |
| TAS 36 (revised 2017) | Impairment of Assets |
| TAS 37 (revised 2017) | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 (revised 2017) | Intangible Assets |
| TAS 40 (revised 2017) | Investment Property |
| TFRS 2 (revised 2017) | Share-based Payment |
| TFRS 8 (revised 2017) | Operating Segments |
| TFRS 10 (revised 2017) | Consolidated Financial Statements |
| TFRS 11 (revised 2017) | Joint Arrangements |
| TFRS 12 (revised 2017) | Disclosure of Interests in Other Entities |

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| TFRS | Topic |
|-------------------------|--|
| TFRS 13 (revised 2017) | Fair Value Measurement |
| TFRIC 10 (revised 2017) | Interim Financial Reporting and Impairment |

The Group/Company has made a preliminary assessment of the potential initial impact on the consolidated and separate financial statements of these revised TFRS and expects that there will be no material impact on the financial statements in the period of initial application.