

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was listed on the Stock Exchange of Thailand in 1993. The Group are engaged in business of manufacturing and exporting of frozen vegetable. The address of its registered office are as follows :

Head Office is located at 149/34 floor 3rd - 4th Soi Anglo Plaza, Surawongse road, Surawongse, Bangrak, Bangkok.

Branch Office 1 is located at 92 Moo.3, Chiangmai - Phrao road, Tumbol Nongjom, Amphur Sansai, Chiangmai.

Branch Office 2 is located at 299 Moo.14, Chiangmai - Phrao road, Tumbol Maefak mai, Amphur Sansai, Chiangmai.

2. BASIS FOR FINANCIAL STATEMENTS PREPARATION

The consolidated and the separate financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies

The consolidated financial statements include the financial statements of Chiangmai Frozen Foods Public Company Limited and its subsidiary, Agrifood Processing Company Limited. with the holding of 100% of authorized share.

“The Company” represents “Chiangmai Frozen Foods Public Company Limited,” while “The Group” represents “Chiangmai Frozen Foods Public Company Limited” and its subsidiary which is “Agrifood Processing Company Limited”.

The significant transactions between the Company and its subsidiary have been eliminated in the consolidated financial statements.

For the convenience of the user, an English translation of the financial statements has been prepared from the financial statements that are issued in the Thai language.

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3. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEARS NOT YET EFFECTIVE

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

TAS 12 Income Taxes

This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base in order to recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company has changed this accounting policy in this current quarter and restated the prior year's financial statements, presented as comparative information, as though the Company had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 5 to the financial statements.

4. NEW ACCOUNTING STANDARDS ISSUED DURING THE PERIOD AND NOT YET EFFECTIVE

During the current period, the Federation of Accounting Professions has issued notifications, already published in the Royal Gazette, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows:

		<u>Effective date</u>
Accounting Standard:		
TAS 1 (revised 2012)	Presentation of Financial Statements	1 January 2014
TAS 12 (revised 2012)	Income taxes	1 January 2014
TAS 17 (revised 2012)	Leases	1 January 2014
TAS 18 (revised 2012)	Revenue	1 January 2014
TAS 24 (revised 2012)	Related Party Disclosures	1 January 2014
TAS 28 (revised 2012)	Investments in Associates	1 January 2014
TAS 31 (revised 2012)	Interests in Joint Ventures	1 January 2014
TAS 34 (revised 2012)	Interim Financial Reporting	1 January 2014

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4. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEARS NOT YET EFFECTIVE
(CON'T)

		<u>Effective date</u>
Financial Reporting Standard:		
TFRS 2 (revised 2012)	Share-based Payment	1 January 2014
TFRS 3 (revised 2012)	Business Combinations	1 January 2014
TFRS 4	Insurance Contracts	1 January 2016
TFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2014
TFRS 8 (revised 2012)	Operating Segments	1 January 2014
Accounting Standard Interpretations:		
TSIC 15	Operating Leases - Incentives	1 January 2014
TSIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	1 January 2014
TSIC 29	Service Concession Arrangements: Disclosures	1 January 2014
TSIC 32	Intangible Assets – Web Site Costs	1 January 2014
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS <i>29 Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014
TFRIC 17	Distributions of Non-cash Assets to Owners	1 January 2014
TFRIC 18	Transfers of Assets from Customers	1 January 2014

The Company's management believes that these accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standards interpretations will not have any significant impact on the financial statements for the year when they are initially applied.

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5. CUMULATIVE EFFECT OF THE CHANGE IN ACCOUNTING POLICIES DUE TO THE ADOPTION OF NEW ACCOUNTING STANDARD

During the current period, the Company and its subsidiaries made the change described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of TAS 12 Income Taxes. The cumulative effect of the change in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarized below.

	In Baht					
	Consolidated financial statements			Separate financial statements		
	As at	As at	As at	As at	As at	As at
	31 December	31 December	1 January	31 December	31 December	1 January
	2013	2012	2012	2013	2012	2012
Statements of financial position						
Increase in deferred tax assets						
Allowance for doubtful accounts	112,757	112,757	232,398	112,757	112,757	232,398
Allowance for diminution of inventories	418,696	983,281	1,461,976	418,696	983,281	1,461,976
Allowance for impairment of intangible assets	526,958	-	-	526,958	-	-
Provisions for employee benefit obligations	7,060,387	5,917,641	5,995,242	6,836,459	5,633,851	5,726,849
	<u>8,118,798</u>	<u>7,013,679</u>	<u>7,689,616</u>	<u>7,894,870</u>	<u>6,729,889</u>	<u>7,421,223</u>
Increase in retained earnings	<u>8,118,798</u>	<u>7,013,679</u>	<u>7,689,616</u>	<u>7,894,870</u>	<u>6,729,889</u>	<u>7,421,223</u>

The amounts of adjustments affecting the statements of comprehensive income for the years ended 31 December 2013 and 2012 are summarised below.

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Statements of income				
Increase(Decrease) in income tax	(871,010)	675,937	(808,083)	691,334
Increase(Decrease) in gain attributable to equity holders of the Company	871,010	(675,937)	808,083	(691,334)
Increase(Decrease) in basic earnings per share (Baht)	0.002	(0.002)	0.002	(0.002)
Statements of comprehensive income				
Decrease in Actuarial loss	(234,109)	-	(356,898)	-

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6. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below;

6.1 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

Deposits at financial institutions that are restricted in use are presented as “Fixed deposits pledged as collateral” as part of non - current assets in the statements of financial position.

6.2 Accounts receivable

Accounts receivable are carried at original invoice amount less allowance for doubtful accounts.

6.3 Allowance for doubtful accounts

The Group provide allowance for doubtful accounts equal to the estimated losses that may be incurred in the collection of receivables and receivables- planters. The estimated losses are based on the collection experiences and the review of the current status of the existing receivables. Bad debts are written off during the year in which they are identified.

6.4 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

At the end of year, the Company considers the physical of finished goods in the estimation of adequately allowance for obsolete.

6.5 Investments in subsidiary

Subsidiary, which is those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Investment in subsidiary is reported by using the cost method of accounting in the separate financial statements.

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6. ACCOUNTING POLICIES (CON'T)

6.6 Property, plant and equipment

Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation.

Depreciation of plant and equipment are calculated on the straight line method over their estimated useful lives as follows:

	<u>No. of Years</u>
Buildings	20 years
Machineries and equipment	5-10 years
Vehicles	5 years
Office equipment and fixtures	5 years

When assets are sold or retired, the Group will eliminated their costs and accumulated depreciation from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

Building-in-progress and machinery under installation are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended operational use.

6.7 Intangible asset and amortization

Intangible asset is computer software which is stated at historical cost and amortized using the straight line method over its useful life (3 - 5 years).

6.8 Impairment of assets

The Group reviewed the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount (the higher of an assets selling price or value in use). The review is made for individual assets or the cash generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Group recognize the impairment losses in the statements of income. The reversal of impairment losses recognized in prior years is recorded as other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased.

6.9 Foreign currency transactions

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the statements of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of income.

6. ACCOUNTING POLICIES (CON'T)

6.10 Accounting for leases - where a company is the lessee

Leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the assets.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the less or) are charged to the statement of income on a straight-line basis over the period of the lease.

6.11 Employee benefits

Short-term employee benefits

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

Post-employment benefits

Defined contribution plans

The Company, its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Group. The fund's assets are held in a separate trust fund and the Group contributions are recognised as expenses when incurred.

Defined benefit plans

The Group have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

6.12 Provisions

Provisions are recognized when the Group have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company and subsidiary expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

6. ACCOUNTING POLICIES (CON'T)

6.13 Revenue recognition

The Group recognized sales as income when goods are delivered and the risks and rewards are transferred to customers.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

6.14 Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

6.15 Basic earnings per share

Basic earnings per share is calculated by dividing the net income by weighted average number of paid - up common shares during the years.

6.16 Financial instruments

Financial assets carried on the statements of financial position include cash and cash equivalents, fixed deposit, trade and other receivable and loan to. Financial liabilities carried on the statements of financial position include trade accounts payable, accrued income tax and accrued expenses. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

6. ACCOUNTING POLICIES (CON'T)

6.17 Significant accounting judgements and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for net realizable value

The Group considers the allowance for net realizable value based on the estimate of selling price in the ordinary course of business and normal condition of inventory. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

6.18 Related person and companies

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiary and fellow subsidiary are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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7. TRANSACTIONS WITH RELATED COMPANIES

7.1 Relationships and pricing policies

The relationship and pricing policies among the Company, Subsidiary and related companies are as follows:

	<u>Relationship</u>
<u>Subsidiary :</u>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u>	
Itochu Corporation Co., Ltd.	Shareholder
P.P. Foods Supply Co., Ltd.	Common shareholder
Ing Shiang Co., Ltd.	Common shareholder
C.T.Prosper Group Co.,Ltd.	Common Shareholders and directors

	<u>Pricing policy</u>
Sales	At normal business prices, as same as other entities
Rental revenue	At contract price which had been agreed upon
Service income	At price which had been agreed upon
Service expense	At price which had been agreed upon
Commission	At rate 1.50 – 3.00% of sales
Acquisition of assets	Market Value

7.2 Balances of transactions with subsidiary and related companies

Balances of transactions among the Company, Subsidiary and related companies as at 31 December 2013 and 2012 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2013	2012	2013	2012
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	16,518,707	13,495,707
Itochu Corporation Co., Ltd.	7,525,537	4,542,140	4,113,942	1,458,741
Ing shiang Co., Ltd.	1,517,884	1,294,423	1,517,884	1,294,423
Total	<u>9,043,421</u>	<u>5,836,563</u>	<u>22,150,533</u>	<u>16,248,871</u>
Accrued expenses				
Itochu Corporation Co., Ltd.	1,087,461	1,221,070	650,847	605,843
P. P. Foods Supply Co., Ltd.	506,740	145,093	506,740	145,093
Ing shiang Co., Ltd.	3,423,546	3,168,620	3,423,546	3,168,620
Total	<u>5,017,747</u>	<u>4,534,783</u>	<u>4,581,133</u>	<u>3,919,556</u>
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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7. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

7.3 Revenue and expenses among the Company, subsidiary and related companies

Revenue and expenses among the Company, subsidiary and related companies for the years then ended 31 December 2013 and 2012 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	246,557,546	254,066,891
Itochu Corporation Co., Ltd.	185,398,834	178,478,941	128,020,938	110,240,781
Ing shiang Co., Ltd.	9,447,301	11,049,409	9,447,301	10,190,678
Total	<u>194,846,135</u>	<u>189,528,350</u>	<u>384,025,785</u>	<u>374,498,350</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	675,600	675,600
C.T.Prosper Group Co.,Ltd.	90,000	90,000	90,000	90,000
Total	<u>90,000</u>	<u>90,000</u>	<u>765,600</u>	<u>765,600</u>
Commission expenses				
Itochu Corporation Co., Ltd.	3,934,503	3,943,740	2,700,290	2,532,988
P.P. Foods Supply Co., Ltd.	2,087,662	879,597	2,087,662	879,597
Ing shiang Co., Ltd.	3,213,500	3,208,998	3,213,500	3,208,998
Total	<u>9,235,665</u>	<u>8,032,335</u>	<u>8,001,452</u>	<u>6,621,583</u>
Directors and management's benefits	<u>33,203,805</u>	<u>32,975,852</u>	<u>30,770,355</u>	<u>30,460,952</u>
Acquisition of assets				
Itochu Corporation Co., Ltd.	<u>-</u>	<u>12,110,790</u>	<u>-</u>	<u>12,110,790</u>

8. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Cash on hand	141,145	132,313	136,146	127,313
Regular checking accounts	180,925	501,340	10,000	-
Saving accounts	175,561,561	353,566,955	150,296,467	326,904,911
Fixed deposit 3 months	50,825	50,000	50,825	50,000
Total	<u>175,934,456</u>	<u>354,250,608</u>	<u>150,493,438</u>	<u>327,082,224</u>

9. SHORT – TERM INVESTMENTS

As at 31 December 2013, the Group has 6-13 months (31 December 2012: 6-11 months) which bear interest at the rate of 1.05%-3.20% per annum (31 December 2012: 3.00%-3.50% per annum)

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10. TRADE AND OTHER RECEIVABLES

	In Baht			
	Consolidated		Separate	
	2013	2012	2013	2012
Trade receivable - related companies (Note 7.2)	9,043,421	5,836,563	22,150,533	16,248,871
Trade receivable - other companies	81,526,634	52,875,313	67,229,280	46,369,674
<u>Less</u> allowance for doubtful accounts	-	(30,000)	-	(30,000)
Trade receivable - other companies, Net	81,526,634	52,845,313	67,229,280	46,339,674
Total trade receivable	90,570,055	58,681,876	89,379,813	62,588,545
Value added tax receivable	1,517,895	1,792,107	1,497,290	1,774,919
Interest receivable	1,396,129	851,639	1,360,453	814,511
Other receivables	2,506,838	2,003,554	2,506,838	2,003,554
Total	<u>95,990,917</u>	<u>63,329,176</u>	<u>94,744,394</u>	<u>67,181,529</u>

The aging of outstanding balance as at 31 December 2013 and 2012 are as follows:

	In Baht			
	Consolidated		Separate	
	2013	2012	2013	2012
Trade receivable - related parties				
Within credit terms	8,194,615	5,085,548	21,301,727	15,497,856
Overdue				
Less than 3 months	848,806	751,015	848,806	751,015
Total Trade receivable - related parties	<u>9,043,421</u>	<u>5,836,563</u>	<u>22,150,533</u>	<u>16,248,871</u>
Trade receivable - other companies				
Within credit terms	80,153,410	50,372,250	65,856,056	43,866,611
Overdue				
Less than 3 months	1,373,224	2,473,063	1,373,224	2,473,063
More than 12 months	-	30,000	-	30,000
Total Trade receivable - other companies	81,526,634	52,875,313	67,229,280	46,369,674
<u>Less</u> Allowance for doubtful accounts	-	(30,000)	-	(30,000)
Total Trade receivable - other companies Net	<u>81,526,634</u>	<u>52,845,313</u>	<u>67,229,280</u>	<u>46,339,674</u>

11. ACCOUNTS RECEIVABLE – PLANTERS

Consolidated financial statements and Separate financial statements

	In Baht	
	2013	2012
Accounts receivable-planters	40,208,588	50,297,032
<u>Less</u> Allowance for doubtful accounts	(563,785)	(563,785)
Net	<u>39,644,803</u>	<u>49,733,247</u>

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12. INVENTORIES

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2013	2012	2013	2012	2013	2012
Finished goods and semi - finished products	286,580,350	301,448,281	(1,383,441)	(4,363,581)	285,196,909	297,084,700
Raw material and Supplies	27,864,589	36,056,122	(564,000)	(467,982)	27,300,589	35,588,140
Seeds, insecticide Fertilizer	27,120,236	24,229,670	(146,040)	(84,840)	26,974,196	24,144,830
Total	<u>341,565,175</u>	<u>361,734,073</u>	<u>(2,093,481)</u>	<u>(4,916,403)</u>	<u>339,471,694</u>	<u>356,817,670</u>

13. FIXED DEPOSITS PLEDGED AS COLLATERAL

As at 31 December 2013 and 2012, the subsidiary has fixed deposit amounted to Baht 15.2 million and Baht 14.9 million, respectively, which pledged as collateral against credit line from a local financial institution.

14. INVESTMENTS IN SUBSIDIARY

As at 31 December 2013 and 2012.

	Activities	Paid up Capital (In Baht)	% Holdings	At Cost (In Baht)
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution	30,000,000	100.0	<u>23,353,658</u>

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FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED FINANCIAL STATEMENTS

	In Baht						
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
As at 1 January 2012							
Cost	110,493,651	446,359,443	727,210,205	41,505,073	22,624,902	2,384,338	1,350,577,612
<u>Less</u> Accumulated depreciation	(6,307,701)	(267,504,107)	(610,026,555)	(35,488,954)	(20,606,185)	-	(939,933,502)
Provision for impairment	-	-	(3,445,198)	-	-	-	(3,445,198)
Net book amount	<u>104,185,950</u>	<u>178,855,336</u>	<u>113,738,452</u>	<u>6,016,119</u>	<u>2,018,717</u>	<u>2,384,338</u>	<u>407,198,912</u>
Transactions for the year ended 31 December 2012							
Opening net book amount	104,185,950	178,855,336	113,738,452	6,016,119	2,018,717	2,384,338	407,198,912
<u>Add</u> Acquisition	-	1,445,419	11,669,400	1,615,342	1,101,954	26,767,314	42,599,429
Transfer in (out)	-	3,143,748	7,395,533	-	-	(10,539,281)	-
<u>Less</u> Disposals and amortization	-	-	(2,039,815)	(4)	(49,035)	-	(2,088,854)
Depreciation	-	(26,417,380)	(30,968,034)	(3,438,942)	(924,892)	-	(61,749,248)
Impairment of assets	-	(1,019,563)	(3,659,625)	-	-	-	(4,679,188)
Closing net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>4,192,515</u>	<u>2,146,744</u>	<u>18,612,371</u>	<u>381,281,051</u>
As at 31 December 2012							
Cost	110,493,651	450,948,610	729,016,477	38,927,635	22,620,809	18,612,371	1,370,619,553
<u>Less</u> Accumulated depreciation	(6,307,701)	(293,921,487)	(627,633,493)	(34,735,120)	(20,474,065)	-	(983,071,866)
Provision for impairment	-	(1,019,563)	(5,247,073)	-	-	-	(6,266,636)
Net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>4,192,515</u>	<u>2,146,744</u>	<u>18,612,371</u>	<u>381,281,051</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT (CON'T)

CONSOLIDATED FINANCIAL STATEMENTS

	In Baht						Total
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
Transactions for the year ended 31 December 2013							
Opening net book amount	104,185,950	156,007,560	96,135,911	4,192,515	2,146,744	18,612,371	381,281,051
<u>Add</u> Acquisition	-	522,620	11,569,104	4,897,579	958,656	28,492,458	46,440,417
Transfer in (out)	-	-	23,889,542	-	-	(23,889,542)	-
<u>Less</u> Disposals and amortization	-	(2)	(172,095)	-	(23,607)	-	(195,704)
Depreciation	-	(25,503,924)	(30,279,249)	(2,869,716)	(881,273)	-	(59,534,162)
Closing net book amount	<u>104,185,950</u>	<u>131,026,254</u>	<u>101,143,213</u>	<u>6,220,378</u>	<u>2,200,520</u>	<u>23,215,287</u>	<u>367,991,602</u>
At 31 December 2013							
Cost	110,493,651	451,000,649	753,424,908	43,825,215	22,677,297	23,215,287	1,404,637,007
<u>Less</u> Accumulated depreciation	(6,307,701)	(319,025,266)	(649,358,577)	(37,604,837)	(20,476,777)	-	(1,032,773,158)
Provision for impairment	-	(949,129)	(2,923,118)	-	-	-	(3,872,247)
Net book amount	<u>104,185,950</u>	<u>131,026,254</u>	<u>101,143,213</u>	<u>6,220,378</u>	<u>2,200,520</u>	<u>23,215,287</u>	<u>367,991,602</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT (CON'T)

THE SEPARATE FINANCIAL STATEMENTS

	In Baht						
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
As at 1 January 2012							
Cost	110,493,651	446,359,443	727,210,205	39,726,073	21,602,095	2,384,338	1,347,775,805
<u>Less</u> Accumulated depreciation	(6,307,701)	(267,504,107)	(610,026,555)	(34,802,699)	(19,656,502)	-	(938,297,564)
Provision for impairment	-	-	(3,445,198)	-	-	-	(3,445,198)
Net book amount	<u>104,185,950</u>	<u>178,855,366</u>	<u>113,738,452</u>	<u>4,923,374</u>	<u>1,945,593</u>	<u>2,384,338</u>	<u>406,033,043</u>
Transactions for the year ended 31 December 2012							
Opening net book amount	104,185,950	178,855,336	113,738,452	4,923,374	1,945,593	2,384,338	406,033,043
<u>Add</u> Acquisition	-	1,445,419	11,669,400	1,615,342	1,068,729	26,767,314	42,566,204
Transfer in (out)	-	3,143,748	7,395,533	-	-	(10,539,281)	-
<u>Less</u> Disposals and amortization	-	-	(2,039,815)	(4)	(49,009)	-	(2,088,828)
Depreciation	-	(26,417,380)	(30,968,034)	(3,083,142)	(899,056)	-	(61,367,612)
Impairment of assets	-	(1,019,563)	(3,659,625)	-	-	-	(4,679,188)
Closing net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>3,455,570</u>	<u>2,066,257</u>	<u>18,612,371</u>	<u>380,463,619</u>
As at 31 December 2012							
Cost	110,493,651	450,948,610	729,016,477	37,148,635	21,641,420	18,612,371	1,367,861,164
<u>Less</u> Accumulated depreciation	(6,307,701)	(293,921,487)	(627,633,493)	(33,693,065)	(19,575,163)	-	(981,130,909)
Provision for impairment	-	(1,019,563)	(5,247,073)	-	-	-	(6,266,636)
Net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>3,455,570</u>	<u>2,066,257</u>	<u>18,612,371</u>	<u>380,463,691</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

15. PROPERTY, PLANT AND EQUIPMENT (CON'T)
THE SEPARATE FINANCIAL STATEMENTS

	In Baht						
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
Transactions for the year ended 31 December 2013							
Opening net book amount	104,185,950	156,007,560	96,135,911	3,455,570	2,066,257	18,612,371	380,463,619
<u>Add</u> Acquisition	-	522,620	11,569,104	4,897,579	895,656	28,492,458	46,377,417
Transfer in (out)	-	-	23,889,542	-	-	(23,889,542)	-
<u>Less</u> Disposals	-	(2)	(172,095)	-	(23,606)	-	(195,703)
Depreciation	-	(25,503,924)	(30,279,249)	(2,513,917)	(842,657)	-	(59,139,747)
Closing net book amount	<u>104,185,950</u>	<u>131,026,254</u>	<u>101,143,213</u>	<u>5,839,232</u>	<u>2,095,650</u>	<u>23,215,287</u>	<u>367,505,586</u>
At 31 December 2013							
Cost	110,493,651	451,000,649	753,424,908	42,046,215	21,656,216	23,215,287	1,401,836,926
<u>Less</u> Accumulated depreciation	(6,307,701)	(319,025,266)	(649,358,577)	(36,206,983)	(19,560,566)	-	(1,030,459,093)
Provision for impairment	-	(949,129)	(2,923,118)	-	-	-	(3,872,247)
Net book amount	<u>104,185,950</u>	<u>131,026,254</u>	<u>101,143,213</u>	<u>5,839,232</u>	<u>2,095,650</u>	<u>23,215,287</u>	<u>367,505,586</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

16. INTANGIBLE ASSETS - SOFTWARE

	In Baht		
	<u>Consolidated and separate financial statement</u>		
	<u>Software</u>	<u>Software in progress</u>	<u>Total</u>
As at 31 December 2012			
Cost	1,690,810	4,578,806	6,269,616
Accumulated amortization	<u>(1,690,810)</u>	<u>-</u>	<u>(1,690,810)</u>
Net book value	<u>-</u>	<u>4,578,806</u>	<u>4,578,806</u>
Transactions for the year ended 31 December 2013			
Opening net book amount	-	4,578,806	4,578,806
<u>Add</u> : Acquisition	-	2,257,984	2,257,984
Transfer in (out)	2,798,886	(2,798,886)	-
<u>Less</u> : Amortization	(164,099)	-	(164,099)
<u>Less</u> : Loss on impairment of assets	<u>(2,634,787)</u>	<u>-</u>	<u>(2,634,787)</u>
Net book value	<u>-</u>	<u>4,037,904</u>	<u>4,037,904</u>
As at 31 December 2013			
Cost	4,489,696	4,037,904	8,527,600
Accumulated amortization	(1,854,909)	-	(1,854,909)
Allowance for impairment of assets	<u>(2,634,787)</u>	<u>-</u>	<u>(2,634,787)</u>
Net book value	<u>-</u>	<u>4,037,904</u>	<u>4,037,904</u>

17. BANK OVERDRAFTS AND SHORT-TERM LOANS

As at 31 December 2013 and 2012, the Company has the overdrafts and short-term loans lines amounted to Baht 432.9 million and Baht 450.8 million, respectively. The facilities charge an interest at the rate of MOR per annum.

18. TRADE AND OTHER PAYABLES

	In Baht			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Trade payables	36,845,438	39,109,978	36,845,438	39,109,978
Accrued commission expenses (Note 7.2)	5,017,747	4,534,783	4,581,133	3,919,556
Accrued expenses	39,341,703	45,787,840	38,002,737	44,569,302
Others	466,754	4,002,415	466,754	4,002,415
Total	<u>81,671,642</u>	<u>93,435,016</u>	<u>79,896,062</u>	<u>91,601,251</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

19. EMPLOYEE BENEFIT OBLIGATIONS

The Group adopted TAS 19 Employee Benefits with effect from 1 January 2011.

The Group operate post employment benefit and pension based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
For the year ended 31 December				
Defined benefit obligations at 1 January	29,588,203	26,241,311	28,169,254	24,899,344
Current service costs and interest	5,000,683	3,727,292	4,686,047	3,650,310
Benefit paid for the year	(457,500)	(380,400)	(457,500)	(380,400)
Actuarial loss	1,170,545	-	1,784,491	-
Defined benefit obligations at 31 December	<u>35,301,931</u>	<u>29,588,203</u>	<u>34,182,292</u>	<u>28,169,254</u>

Expense recognized in profit or loss for the year ended 31 December 2013 and 2012:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Current service costs	4,174,157	3,052,301	3,889,376	2,993,685
Interest on obligation	826,526	674,991	796,671	656,625
Total	<u>5,000,683</u>	<u>3,727,292</u>	<u>4,686,047</u>	<u>3,650,310</u>

The above expense recognized in profit or loss is recognized in the following line items for the year ended 31 December 2013 and 2012:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Costs of sales	3,914,006	2,817,253	3,914,006	2,817,253
Sales expenses	226,639	170,789	136,246	149,367
Administrative expenses	860,038	739,250	635,795	683,690
Total	<u>5,000,683</u>	<u>3,727,292</u>	<u>4,686,047</u>	<u>3,650,310</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

19. EMPLOYEE BENEFIT OBLIGATIONS (CON'T)

Principal actuarial assumptions at the reporting date

	Consolidated and Separate financial statements	
	2013	2012
Discount rate	4.5 % per annum	3.56% per annum
Salary increase rate	0.5-5.5%	5%
Employee turnover rate	Scale related to Age ranging from 0 – 26.32%	Scale related to Age ranging from 0 - 37.5%
Mortality rate	According to Thailand TMO 2008 male and female tables tables	According to Thailand TMO 1997 male and female tables tables

20. LEGAL RESERVE

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution.

21. DIVIDENDS PAID

According to the resolution of the ordinary shareholders' meeting for the year 2013 held on 19 April 2013 had the resolution to approve the payment of cash dividends at Baht 0.28 per share to the shareholders of 381,145,725 shares totaling Baht 106.7 million from operational result of year 2012. The Company paid dividends on 10 May 2013.

According to the resolution of the ordinary shareholders' meeting for the year 2012 held on 20 April 2012 had the resolution to approve the payment of cash dividends at Baht 0.14 per share to the shareholders of 381,145,725 shares totaling Baht 53.4 million from operational result of year 2010. The Company paid dividends on 11 May 2012.

22. EXPENSES BY NATURE

Significant expenses by nature are as follow :

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Changes in finished goods, semi - finished products and raw materials	15,764,878	(19,970,570)	15,764,878	(19,970,570)
Purchase of finished goods	-	2,664,430	-	-
Purchase raw materials	490,780,537	531,803,570	490,780,537	531,803,570
Depreciation and amortization	59,698,261	61,749,248	59,303,846	61,367,612
Staff costs	261,960,758	258,632,087	258,612,913	256,742,365

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

23. PROMOTIONAL PRIVILEGES

By virtue of the provisions of Industrial Investment Promotion Act. B.E. 1977, the Company was granted certain privileges as follows :

certificate No.1545(3)/2004 exemption from payment of income tax for eight years starting from the commencement date of the promoted business and 50 percent reduction from the normal income tax rate for the next five years after the period of eight years are expired.

As a promoted industry, the Company must comply with certain conditions and restrictions provided for in the promotional certificate.

Sales classified as promoted and non-promoted business, for the years ended 31 December 2013 and 2012 are summarized as follows:

	In Thousand Baht					
	2013			2012		
	Promoted Business	Non-Promoted Business	Total	Promoted Business	Non-Promoted Business	Total
Export sales	929,766	217,734	1,147,500	924,390	268,995	1,193,385
Domestic sales	12,686	247,569	260,255	15,292	257,419	272,711
Total	942,452	465,303	1,407,755	939,682	526,414	1,466,096

24. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The Group has engaged in business of manufacturing and distribution of frozen vegetables and operated in one geographical area in Thailand. Therefore, these financial statements do not present the geographical segment.

For the year 2013 and 2012, export sales of the Group was 99% of total sales

Major customers

For the year 2013, the Group has revenue from 3 major customers, representing 76 percent of total revenue, arising from manufacturing and distribution of frozen vegetables (2012: 73 percent of total revenue was derived from 3 major customers).

25. PROVIDENT FUND

The Company established a contributory registered provident fund in accordance with the Provident fund Act.B.E.1987 Under the provident fund, the Company contributes an amount equivalent to the employees' contribution, which is 3% of their basic salaries. The company appointed The Siam Commercial Bank Public Co., Ltd. as a fund manager to manage the fund in accordance with the Provident Fund Act (B.E. 1987), which was amended by the Provident Fund Act (No.2) (B.E. 1999), under supervision of the Office of the Securities and Exchange Commission.

The Company's contribution net of the refund amount for the years ended 31 December 2013 and 2012 amounted to Baht 1.7 million and Baht 1.4 million, respectively.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013

26. INCOME TAX

Income tax expenses for the year ended 31 December 2013 and 2012 are made up as follows:

	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2013	2012 (Restated)	2013	2012 (Restated)
Income tax recognized in profit or loss				
Current income tax				
Current year	21,768,805	33,695,122	20,726,398	32,675,969
Deferred tax				
Relating to origination and reversal of temporary differences	(871,010)	675,937	(808,083)	691,334
Total	<u>20,897,795</u>	<u>34,371,059</u>	<u>19,918,315</u>	<u>33,367,303</u>
Income tax recognised in other comprehensive income				
Decrease in Actuarial losses	(234,109)	-	(356,898)	-
Reconciliation of effective tax rate				
	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2013	2012 (Restated)	2013	2012 (Restated)
Accounting profit before corporate income tax	156,715,768	208,433,378	151,991,477	204,257,449
Applicable tax rate	20	23	20	23
Accounting profit before corporate income tax multiplied by applicable tax rate	31,343,154	47,939,677	30,398,295	46,979,213
Investment promotion	(9,582,318)	(15,615,628)	(9,582,318)	(15,615,628)
Addition expenses deductible for tax purposes	(1,888,253)	(1,136,411)	(1,888,253)	(1,136,411)
Expenses not deductible for tax purposes	1,896,222	2,507,484	1,798,674	2,448,795
Current tax	<u>21,768,805</u>	<u>33,695,122</u>	<u>20,726,398</u>	<u>32,675,969</u>
Relating to origination and reversal of temporary differences	(871,010)	675,937	(808,083)	691,334
Income tax expense	<u>20,897,795</u>	<u>34,371,059</u>	<u>19,918,315</u>	<u>33,367,303</u>

Income tax reduction

Royal Decree No. 530 B.E. 2554 dated 21 December 2011 grants a reduction in the corporate income tax rate for the three accounting periods 2012, 2013 and 2014; from 30% to 23% for the accounting period 2012 which begins on or after 1 January 2012 and to 20% for the following two accounting periods 2013 and 2014 which begin on or after 1 January 2013 and 2014, respectively.

It is understood that the Government will proceed to amend the law in order to maintain the corporate income tax rate at not higher than 20% for the accounting period 2015 which begins on or after 1 January 2015 and onwards in order to give full effect to the Cabinet resolution dated 11 October 2011 to increase Thailand's tax competitiveness.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013**

27. FINANCIAL INSTRUMENTS

27.1 Credit risk

The Group exposed to credit risks mainly relating to their trade accounts receivable. However, the management has policies to provide adequate allowances for any possible losses that might be incurred in connection with their receivables.

27.2 Foreign currency risk and risk management

The Group exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Group has policies to hedge such risks by using derivative financial instruments. As at 31 December 2013, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 34.7 million in exchange of Baht 1,093.5 million with 3 commercial banks. The contract will be due in December 2014. Per comparative between fair value and contract value, the loss amounting Baht 51.9 million is incurred.

As at 31 December 2013, the Group has accrued commission amounting of U.S.Dollars 0.1 million which are not hedged.

27.3 Interest rate risk

The Group were exposed to interest risks because it held deposits to financial institutions. However, such financial assets are month short-term, the Company and subsidiary believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flow; therefore, no financial derivative was adopted to manage such risks.

27.4 Fair value of financial instruments

The financial assets and liabilities include cash and cash equivalents, short-term investment, trade accounts receivable, trade accounts payable, accrued income tax and accrued expenses. Their carried values approximate to their fair values.

28. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2013

28.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.

28.2 The Company has commitments for software license and system consulting agreement amounting of Baht 2.9 million.

28.3 The Company has contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.

29. EVENTS AFTER THE REPORTING PERIOD

On 27 February 2014, the Company's Board of Directors meeting No. 1/2557 approved for payment of a final dividend of Baht 0.31 per share, or a total of approximately Baht 118.2 million, from the operating results for the year ended 31 December 2013.

However, this resolution will be further proposed for the shareholders' approval in the Ordinary General Meeting of Shareholders for fiscal year 2014.

30. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements and separate financial statements have been approved by the Company's Board of Directors on 27 February 2014.