

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2014 (UNAUDITED)**

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was a public company limited and was listed on the Stock Exchange of Thailand in 1993. The Group are engaged in business of manufacturing and exporting of frozen fruits and vegetable and transmuted sweet corn distribution. 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 INTERIM FINANCIAL STATEMENTS PREPARATION

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2012) Interim Financial Reporting; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission, and with generally accepted accounting principles in Thailand.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2013. 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 subsidiary for the year ended 31 December 2013.

The preparation of interim financial statements in conformity with TFRS requires management to make judgments, 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.

“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 the subsidiaries have been eliminated in the interim consolidated financial statements.

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3. NEW ACCOUNTING STANDARDS

- (a) Accounting standards that became effective in the current accounting year

The Company has disclosed the accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations that are effective for fiscal years beginning on or after 1 January 2014, in the notes to financial statements for the year ended 31 December 2013.

The management of the Company and its subsidiary has assessed the effects of the above accounting standards, financial reporting standard, accounting standard interpretations and financial reporting standard interpretations, and believes that they do not have a significant impact on the financial statements.

- (b) Accounting standards that will become effective in the future

The Company has disclosed the financial reporting standard that will be effective in the future in the notes to financial statements for the year ended 31 December 2013.

The management of the Company and its subsidiary has assessed the effect of the above financial reporting standard and believe that they are not relevant to the business of the Company and its subsidiary.

4. ACCOUNTING POLICIES

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2013

5. TRANSACTIONS WITH RELATED COMPANIES

5.1 The relationship and pricing policies

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

	Relationship	
	31 March 2014	31 December 2013
<u>Subsidiary :</u>		
Agrifood Processing Co., Ltd.	Shareholding and Directorship	Shareholding and Directorship
<u>Related companies :</u>		
Itochu Corporation Co., Ltd.		Shareholder
P.P. Foods Supply Co., Ltd.	Common shareholder	Common shareholder
Ing Shiang Co., Ltd.	Common shareholder	Common shareholder
C.T.Prosper Group Co.,Ltd.	Common Shareholders and directors	Common Shareholders and directors
	Pricing policy	
Sales	Compared to market price	
Rental revenue	At contract price which had been agreed upon	
Service income	At price which had been agreed upon	
Commission	At rate 1.50 - 3.00% of sales	

5. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

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5.2 Balances of transactions with subsidiary and related companies

	In Baht			
	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	15,042,176	16,518,707
Itochu Corporation Co., Ltd.	-	7,525,537	-	4,113,942
Ing shiang Co., Ltd.	1,980,296	1,517,884	1,980,296	1,517,884
Total	<u>1,980,296</u>	<u>9,043,421</u>	<u>17,022,472</u>	<u>22,150,533</u>
Accrued commission				
Itochu Corporation Co., Ltd.	-	1,087,461	-	650,847
P. P. Foods Supply Co., Ltd.	709,774	506,740	709,774	506,740
Ing shiang Co., Ltd.	4,341,851	3,423,546	4,341,851	3,423,546
Total	<u>5,051,625</u>	<u>5,017,747</u>	<u>5,051,625</u>	<u>4,581,133</u>
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

5.3 Revenue and expenses between the Company and related parties

Revenue and expenses between the Company and related parties for the three-month periods ended 31 March 2014 and 2013 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	44,737,246	59,158,521
Itochu Corporation Co., Ltd.	-	44,042,132	-	32,777,426
Ing shiang Co., Ltd.	2,514,057	526,068	2,514,057	526,068
Total	<u>2,514,057</u>	<u>44,568,200</u>	<u>47,251,303</u>	<u>92,462,015</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	168,900	168,900
C.T.Prospers Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	<u>22,500</u>	<u>22,500</u>	<u>191,400</u>	<u>191,400</u>
Commission expenses				
Itochu Corporation Co., Ltd.	-	912,973	-	662,279
P.P. Foods Supply Co., Ltd.	771,641	177,722	771,641	177,722
Ing shiang Co., Ltd.	964,365	833,291	964,365	833,291
Total	<u>1,736,006</u>	<u>1,923,986</u>	<u>1,736,006</u>	<u>1,673,292</u>
Directors and management's remuneration	<u>7,541,663</u>	<u>7,690,564</u>	<u>6,953,213</u>	<u>7,144,639</u>

6. SHORT - TERM INVESTMENTS

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As at 31 March 2014, The Group has fixed deposit which are 6 and 13 months (31 December 2013: 6 and 13 months) bear interest at the rate of 1.05% - 3.10% per annum (31 December 2013: 1.05% - 3.20% per annum).

7. TRADE AND OTHER RECEIVABLES

	In Baht			
	Consolidated		Separate	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Trade receivable - related companies (Note 5.2)	1,980,296	9,043,421	17,022,472	22,150,533
Trade receivable - other companies	80,841,075	81,526,634	64,901,998	67,229,280
Total trade receivable	82,821,371	90,570,055	81,924,470	89,379,813
Value added tax receivable	1,948,329	1,517,895	1,935,659	1,497,290
Interest receivable	892,228	1,396,129	864,285	1,360,453
Other receivables	2,705,093	2,506,838	2,703,868	2,506,838
Total	88,367,021	95,990,917	87,428,282	94,744,394

Aging of trade accounts receivable as at 31 March 2014 and 31 December 2013 are as follows:

	In Baht			
	Consolidated		Separate	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Accounts receivable - related companies				
Not yet due receivable	1,274,432	8,194,615	16,316,608	21,301,727
Over due				
Less than 3 months	705,864	848,806	705,864	848,806
Total accounts receivable - related companies	1,980,296	9,043,421	17,022,472	22,150,533
Accounts receivable - other companies				
Not yet due receivable	76,222,903	80,153,410	64,901,998	65,856,056
Over due				
Less than 3 months	4,618,172	1,373,224	-	1,373,224
Total accounts receivable - other companies	80,841,075	81,526,634	64,901,998	67,229,280

8. ACCOUNTS RECEIVABLE - PLANTERS

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Consolidated financial statements and Separate financial statements

	In Baht	
	31 March 2014	31 December 2013
Accounts receivable- planters	10,980,973	40,208,588
<u>Less</u> allowance for doubtful accounts	(611,246)	(563,785)
Net	<u>10,369,727</u>	<u>39,644,803</u>

9. INVENTORIES

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Finished goods and semi - finished products	353,690,539	286,580,350	(623,918)	(1,383,441)	353,066,621	285,196,909
Raw material and supplies	31,824,873	27,864,589	(448,300)	(564,000)	31,376,573	27,300,589
Seeds, insecticide fertilizer	54,543,361	27,120,236	(1,351,893)	(146,040)	53,191,468	26,974,196
Total	<u>440,058,773</u>	<u>341,565,175</u>	<u>(2,424,111)</u>	<u>(2,093,481)</u>	<u>437,634,662</u>	<u>339,471,694</u>

10. PROPERTY, PLANT AND EQUIPMENT

	In Baht	
	Consolidated financial statements	Separate financial statements
For the three month period ended 31 March 2014		
Book value, beginning of period	367,991,602	367,505,586
Acquisition of assets	21,779,894	21,779,894
Disposals and amortization	(127,867)	(127,867)
Depreciation	(12,987,119)	(12,889,813)
Book value, end of period	<u>376,656,510</u>	<u>376,267,800</u>

11. TRADE AND OTHER PAYABLES

In Baht

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	Consolidated financial statements		Separate financial statements	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Trade payables	42,734,498	36,845,438	42,734,498	36,845,438
Accrued commission – related company (Note 5.2)	5,051,625	5,017,747	5,051,625	4,581,133
Accrued expenses	30,112,189	39,341,703	29,467,731	38,002,737
Other payables	1,069,531	466,754	1,069,531	466,754
Total	<u>78,967,843</u>	<u>81,671,642</u>	<u>78,323,385</u>	<u>79,896,062</u>

12. EMPLOYEE BENEFIT OBLIGATIONS

The Group operate post employment benefit and pension based on the requirement of Thai Labor 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
For the three month periods ended 31 March 2557		
Defined benefit obligations at 1 January 2557	35,301,931	34,182,292
Current service costs and interest	1,222,068	1,166,856
Defined benefit obligations at 31 March 2557	<u>36,523,999</u>	<u>35,349,148</u>

13. 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 exporting of frozen fruits and vegetables, transmuted sweet corn and operated in one geographical area in Thailand. As the business segment of transmuted sweet corn has immaterial amount. Therefore, these financial statements do not present the geographical segment.

For the three - month periods ended 31 March 2014 and 2013, export sales of the Group was 99% of total sales.

14. INCOME TAX

Income tax expenses for the three-month periods ended 31 March 2014 and 2013 are made up as follows:

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	In Baht			
	Consolidated financial		Separate	
	statements		financial statements	
	2014	2013	2014	2013
Current income tax:				
Interim corporate income tax charge	2,650,994	4,064,544	2,650,994	3,979,641
Deferred tax:				
Relating to origination and reversal of temporary differences	(77,168)	(221,955)	(66,126)	(217,673)
Income tax expense reported in the statements of comprehensive income	<u>2,573,826</u>	<u>3,842,589</u>	<u>2,584,868</u>	<u>3,761,968</u>

15. 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 have policies to hedge such risks by using derivative financial instruments. As at 31 March 2014, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 43.1 million in exchange of Baht 1,385.2 million with 3 commercial banks. The contract will be due in March 2015. Per comparative between fair value and contract value, the loss amounting Baht 21.4 million is incurred.

16. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2014;

- 16.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 16.2 The Company has commitments for software license and system consulting agreement amounting of Baht 2.2 million.
- 16.3 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.

17. EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the shareholders' meeting for the year 2014 held on 23 April 2014 had the resolution to approve the payment of cash dividends at Baht 0.31 per share to the shareholders of 381,145,725 shares totaling Baht 118.1 million from operational result of year 2013. Such dividend will be paid on 12 May 2014.

18. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of directors on 15 May 2014.