

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 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 3<sup>rd</sup> - 4<sup>th</sup> 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.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
 NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**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 Relationships and pricing policies**

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

	<b>Relationship</b>	
	30 September 2014	31 December 2013
<b><u>Subsidiary :</u></b>		
Agrifood Processing Co., Ltd.	Shareholding and Directorship	Shareholding and Directorship
<b><u>Related companies :</u></b>		
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.Prospers Group Co.,Ltd.	Common Shareholders and directors	Common Shareholders and directors
	<b>Pricing policy</b>	
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)**

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**5.2 Balances of transactions with subsidiary and related companies**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
<b>Trade accounts receivable</b>				
Agrifood Processing Co., Ltd.	-	-	24,497,131	16,518,707
Itochu Corporation Co., Ltd.	-	7,525,537	-	4,113,942
Ing shiang Co., Ltd.	2,580,044	1,517,884	2,580,044	1,517,884
Total	<u>2,580,044</u>	<u>9,043,421</u>	<u>27,077,175</u>	<u>22,150,533</u>
<b>Accrued commission</b>				
Itochu Corporation Co., Ltd.	-	1,087,461	-	650,847
P. P. Foods Supply Co., Ltd.	264,752	506,740	264,752	506,740
Ing shiang Co., Ltd.	1,932,279	3,423,546	1,932,279	3,423,546
Total	<u>2,197,031</u>	<u>5,017,747</u>	<u>2,197,031</u>	<u>4,581,133</u>
<b>Deposit</b>				
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 period ended 30 September 2014 and 2013 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2014	2013	2014	2013
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	64,710,521	72,294,718
Itochu Corporation Co., Ltd.	-	53,915,249	-	27,238,958
Ing shiang Co., Ltd.	1,812,262	3,605,737	1,812,262	3,605,737
Total	<u>1,812,262</u>	<u>57,520,986</u>	<u>66,522,783</u>	<u>103,139,413</u>
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	168,900	168,900
C.T.Prosper 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>
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	-	1,072,747	-	536,381
P.P. Foods Supply Co., Ltd.	352,835	1,051,361	352,835	1,051,361
Ing shiang Co., Ltd.	637,825	779,756	637,825	779,756
Total	<u>990,660</u>	<u>2,903,864</u>	<u>990,660</u>	<u>2,367,498</u>
<b>Directors and management's remuneration</b>	<u>7,431,904</u>	<u>8,551,520</u>	<u>6,914,811</u>	<u>7,839,095</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**5. TRANSACTIONS WITH RELATED COMPANIES (CON'T)**

**5.3 Revenue and expenses between the Company and related parties (Con't)**

Revenue and expenses between the Company and related parties for the nine-month period ended 30 September 2014 and 2013 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	167,517,451	193,393,334
Itochu Corporation Co., Ltd.	-	150,652,943	-	103,707,194
Ing shiang Co., Ltd.	7,490,837	8,195,114	7,490,837	8,195,114
Total	<u>7,490,837</u>	<u>158,848,057</u>	<u>175,008,288</u>	<u>305,295,642</u>
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	506,700	506,700
C.T.Prosper Group Co., Ltd.	67,500	67,500	67,500	67,500
Total	<u>67,500</u>	<u>67,500</u>	<u>574,200</u>	<u>574,200</u>
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	-	3,166,017	-	2,162,815
P.P. Foods Supply Co., Ltd.	1,670,780	1,482,105	1,670,780	1,482,105
Ing shiang Co., Ltd.	1,938,666	2,494,835	1,938,666	2,494,835
Total	<u>3,609,446</u>	<u>7,142,957</u>	<u>3,609,446</u>	<u>6,139,755</u>
<b>Directors and management's remuneration</b>	<u>22,419,556</u>	<u>23,938,048</u>	<u>20,749,349</u>	<u>22,133,773</u>

**6. SHORT - TERM INVESTMENTS**

As at 30 September 2014, The Group has fixed deposit which are 6 and 15 month (31 December 2013 : 6 and 13 months) bear interest at the rate of 1.05% - 2.95% per annum (31 December 2013: 1.05% - 3.20% per annum).

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**7. TRADE AND OTHER RECEIVABLES**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Trade receivable - related companies (Note 5.2)	2,580,044	9,043,421	27,077,175	22,150,533
Trade receivable - other companies	84,139,311	81,526,634	64,131,352	67,229,280
Total trade receivable	86,719,355	90,570,055	91,208,527	89,379,813
Value added tax receivable	1,393,316	1,517,895	1,346,495	1,497,290
Income tax receivable (Note 15)	1,331,600	-	1,331,600	-
Interest receivable	966,238	1,396,129	944,029	1,360,453
Other receivables	3,648,968	2,506,838	3,645,382	2,506,838
Total	94,059,477	95,990,917	98,476,033	94,744,394

Aging of trade accounts receivable as at 30 September 2014 and 31 December 2013 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Accounts receivable - related companies				
Not yet due receivable	611,572	8,194,615	25,108,703	21,301,727
Over due :				
Less than 3 months	1,223,144	848,806	1,223,144	848,806
4 - 6 months	745,328	-	745,328	-
Total accounts receivable - related companies	2,580,044	9,043,421	27,077,175	22,150,533
Accounts receivable - other companies				
Not yet due receivable	81,496,003	80,153,410	61,488,044	65,856,056
Over due				
Less than 3 months	1,667,923	1,373,224	1,667,923	1,373,224
6 - 12 months	975,385	-	975,385	-
Total accounts receivable - other companies	84,139,311	81,526,634	64,131,352	67,229,280

**8. ACCOUNTS RECEIVABLE - PLANTERS**

Consolidated financial statements and Separate financial statements

	In Baht	
	30 September 2014	31 December 2013
Accounts receivable - planters	31,304,913	40,208,588
<u>Less allowance for doubtful accounts</u>	<u>(741,856)</u>	<u>(563,785)</u>
Net	<u>30,563,057</u>	<u>39,644,803</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**9. INVENTORIES**

Consolidated financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Finished goods and semi - finished products	350,705,543	286,580,350	(867,844)	(1,383,441)	349,837,699	285,196,909
Raw material and supplies	27,295,420	27,864,589	(530,979)	(564,000)	26,764,441	27,300,589
Seeds, insecticide fertilizer	25,861,592	27,120,236	(703,893)	(146,040)	25,157,699	26,974,196
<b>Total</b>	<b>403,862,555</b>	<b>341,565,175</b>	<b>(2,102,716)</b>	<b>(2,093,481)</b>	<b>401,759,839</b>	<b>339,471,694</b>

Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Finished goods and semi - finished products	349,687,176	286,580,350	(867,844)	(1,383,441)	348,819,332	285,196,909
Raw material and supplies	27,295,420	27,864,589	(530,979)	(564,000)	26,764,441	27,300,589
Seeds, insecticide fertilizer	25,861,591	27,120,236	(703,893)	(146,040)	25,157,698	26,974,196
<b>Total</b>	<b>402,844,187</b>	<b>341,565,175</b>	<b>(2,102,716)</b>	<b>(2,093,481)</b>	<b>400,741,471</b>	<b>339,471,694</b>

**10. 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>

On 14 August 2014, at the Board of Directors meeting No.4/2557, the Board of Directors have an expansion plan to invest in Republic of the Union of Myanmar for expansion of production plan. It is currently to study business plan and feasibility of such expansion plan.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

**11. PROPERTY, PLANT AND EQUIPMENT**

	In Baht	
	Consolidated financial statements	Separate financial statements
For the nine month period ended 30 September 2014		
Book value, beginning of period	367,991,602	367,505,586
Acquisition of assets	34,445,803	34,432,814
Disposals and amortization	(129,907)	(129,907)
Depreciation	(47,530,415)	(47,234,965)
Book value, end of period	<u>354,777,083</u>	<u>354,573,528</u>

**12. TRADE AND OTHER PAYABLES**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Trade payables	37,272,712	36,845,438	37,272,712	36,845,438
Accrued commission - related company (Note 5.2)	2,197,031	5,017,747	2,197,031	4,581,133
Accrued expenses	30,249,766	39,341,703	29,436,317	38,002,737
Other payables	443,571	466,754	443,571	466,754
Total	<u>70,163,080</u>	<u>81,671,642</u>	<u>69,349,631</u>	<u>79,896,062</u>

**13. EMPLOYEE BENEFIT OBLIGATIONS**

The Group operate post employment benefit and pension based on the requirement of Thai Labor Protection Act B.E.(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 nine month periods ended 30 September		
Defined benefit obligations at 1 January 2014	35,301,931	34,182,292
Current service costs and interest	3,759,505	3,593,868
Defined benefit obligations at 30 September 2014	<u>39,061,436</u>	<u>37,776,160</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)  
FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

---

**14. DIVIDEND PAID**

At the ordinary shareholders' meeting dated on 23 April 2014, the shareholders approved the payment of dividends at Baht 0.31 per share for 381,145,725 shares totaling Baht 118.2 million out of operating of the year 2013 and the Company has already paid for such dividends on 12 May 2014.

At the ordinary shareholders' meeting dated on 19 April 2013, the shareholders approved the payment of dividends at Baht 0.28 per share for 381,145,725 shares totaling Baht 106.7 million out of operating of the year 2012 and the Company has already paid for such dividends on 10 May 2013.

**15. 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 three - month and nine - month periods ended 30 September 2014 and 2013, export sales of the Group was 99% of total sales.

**16. ADDITIONAL TAX EXPENSES**

In the second quarter of 2014, the Revenue Department examined the Company's valued add tax (VAT) filing and found that the average input VAT of the non-vat business was wrongly submitted. The Company has additional filed the VAT refund for a period from January 2012 to May 2014 and recalculated corporate income tax for years 2012 and 2013. The Company has to pay the unclaimed input VAT amounting to Baht 8.1 million and penalty amounting to Baht 3.4 million, totaling Baht 11.5 million and the Company paid such tax in July 2014. In addition, the Company is in the process of refund the additional corporate income tax of Baht 1.3 million, which recorded in the consolidated and separate statements of financial position under "Income tax receivable" (Note 7) and recorded the additional tax expense of Baht 9.4 million in the consolidated and separate statements of comprehensive income under "Administrative expenses" for the nine-month periods ended 30 September 2014.

**17. INCOME TAX**



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

Income tax expenses for the three-month periods ended 30 September 2014 and 2013 are made up as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Current income tax:</b>				
Interim corporate income tax charge	3,698,719	7,088,579	3,698,719	6,981,560
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(198,615)	(256,177)	(187,573)	(251,896)
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>3,500,104</u>	<u>6,832,402</u>	<u>3,511,146</u>	<u>6,729,664</u>

Income tax expenses for the nine-month periods ended 30 September 2014 and 2013 are made up as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2014	2013	2014	2013
<b>Current income tax:</b>				
Interim corporate income tax charge	12,840,449	21,622,830	12,840,449	20,764,814
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(747,493)	(406,803)	(714,366)	(393,958)
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>12,092,956</u>	<u>21,216,027</u>	<u>12,126,083</u>	<u>20,370,856</u>

## 18. 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 30 September 2014, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 36.3 million in exchange of Baht 1,182.67 million with 3 commercial banks. The contract will be due in September 2015. Per comparative between fair value and contract value, the gain amounting Baht 0.5 million is incurred.

## 19. COMMITMENT AND CONTINGENT LIABILITIES

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)  
FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2014 (UNAUDITED)**

---

As at 30 September 2014;

- 19.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 19.2 The Company has commitments for software license and system consulting agreement amounting of Baht 0.99 million.
- 19.3 The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 1.2 million.
- 19.4 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.

**20. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved by the Company's Board of directors on 14 November 2014.