

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

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**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.

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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 Relationships and pricing policies**

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

|                                   | <b>Relationship</b>               |                                   |
|-----------------------------------|-----------------------------------|-----------------------------------|
|                                   | 30 June 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.Prosper 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)**

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
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|                                  | In Baht                              |                     |                                  |                     |
|----------------------------------|--------------------------------------|---------------------|----------------------------------|---------------------|
|                                  | Consolidated<br>financial statements |                     | Separate<br>financial statements |                     |
|                                  | 30 June<br>2014                      | 31 December<br>2013 | 30 June<br>2014                  | 31 December<br>2013 |
| <b>Trade accounts receivable</b> |                                      |                     |                                  |                     |
| Agrifood Processing Co., Ltd.    | -                                    | -                   | 18,713,938                       | 16,518,707          |
| Itochu Corporation Co., Ltd.     | -                                    | 7,525,537           | -                                | 4,113,942           |
| Ing shiang Co., Ltd.             | 2,779,588                            | 1,517,884           | 2,779,588                        | 1,517,884           |
| Total                            | <u>2,779,588</u>                     | <u>9,043,421</u>    | <u>21,493,526</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.     | 354,933                              | 506,740             | 354,933                          | 506,740             |
| Ing shiang Co., Ltd.             | 1,292,648                            | 3,423,546           | 1,292,648                        | 3,423,546           |
| Total                            | <u>1,647,581</u>                     | <u>5,017,747</u>    | <u>1,647,581</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 June 2014 and 2013 are as follows:

|  | In Baht                              |                   |                                  |                    |
|--|--------------------------------------|-------------------|----------------------------------|--------------------|
|  | Consolidated<br>financial statements |                   | Separate<br>financial statements |                    |
|  | 2014                                 | 2013              | 2014                             | 2013               |
| <b>Revenues from sales</b>                     |                                      |                   |                                  |                    |
| Agrifood Processing Co., Ltd.                  | -                                    | -                 | 58,069,684                       | 61,940,095         |
| Itochu Corporation Co., Ltd.                   | -                                    | 52,695,562        | -                                | 43,690,810         |
| Ing shiang Co., Ltd.                           | 3,164,518                            | 4,063,309         | 3,164,518                        | 4,063,309          |
| Total  | <u>3,164,518</u>                     | <u>56,758,871</u> | <u>61,234,202</u>                | <u>109,694,214</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.                   | -                                    | 1,180,297         | -                                | 964,155            |
| P.P. Foods Supply Co., Ltd.                    | 546,304                              | 253,022           | 546,304                          | 253,022            |
| Ing shiang Co., Ltd.                           | 336,476                              | 881,788           | 336,476                          | 881,788            |
| Total  | <u>882,780</u>                       | <u>2,315,107</u>  | <u>882,780</u>                   | <u>2,098,965</u>   |
| <b>Directors and management's remuneration</b> | <u>7,445,989</u>                     | <u>7,695,964</u>  | <u>6,881,324</u>                 | <u>7,150,039</u>   |

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**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 six-month period ended 30 June 2014 and 2013 are as follows:

|  | In Baht                              |                    |                                  |                    |
|--|--------------------------------------|--------------------|----------------------------------|--------------------|
|  | Consolidated<br>financial statements |                    | Separate<br>financial statements |                    |
|  | 2014                                 | 2013               | 2014                             | 2013               |
| <b>Revenues from sales</b>                     |                                      |                    |                                  |                    |
| Agrifood Processing Co., Ltd.                  | -                                    | -                  | 102,806,930                      | 121,098,616        |
| Itochu Corporation Co., Ltd.                   | -                                    | 96,737,694         | -                                | 76,468,236         |
| Ing shiang Co., Ltd.                           | <u>5,678,575</u>                     | <u>4,589,377</u>   | <u>5,678,575</u>                 | <u>4,589,377</u>   |
| Total  | <u>5,678,575</u>                     | <u>101,327,071</u> | <u>108,485,505</u>               | <u>202,156,229</u> |
| <b>Other income</b>                            |                                      |                    |                                  |                    |
| Agrifood Processing Co., Ltd.                  | -                                    | -                  | 337,800                          | 337,800            |
| C.T.Prosper Group Co., Ltd.                    | <u>45,000</u>                        | <u>45,000</u>      | <u>45,000</u>                    | <u>45,000</u>      |
| Total  | <u>45,000</u>                        | <u>45,000</u>      | <u>382,800</u>                   | <u>382,800</u>     |
| <b>Commission expenses</b>                     |                                      |                    |                                  |                    |
| Itochu Corporation Co., Ltd.                   | -                                    | 2,093,270          | -                                | 1,626,434          |
| P.P. Foods Supply Co., Ltd.                    | 1,317,945                            | 430,744            | 1,317,945                        | 430,744            |
| Ing shiang Co., Ltd.                           | <u>1,300,841</u>                     | <u>1,715,079</u>   | <u>1,300,841</u>                 | <u>1,715,079</u>   |
| Total  | <u>2,618,786</u>                     | <u>4,239,093</u>   | <u>2,618,786</u>                 | <u>3,772,257</u>   |
| <b>Directors and management's remuneration</b> | <u>14,987,652</u>                    | <u>15,386,528</u>  | <u>13,834,538</u>                | <u>14,294,678</u>  |

**6. SHORT - TERM INVESTMENTS**

As at 30 June 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).

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
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**7. TRADE AND OTHER RECEIVABLES**

|   | In Baht                              |                     |                                  |                     |
|---|--------------------------------------|---------------------|----------------------------------|---------------------|
|   | Consolidated<br>financial statements |                     | Separate<br>financial statements |                     |
|   | 30 June<br>2014                      | 31 December<br>2013 | 30 June<br>2014                  | 31 December<br>2013 |
| Trade receivable - related companies (Note 5.2) | 2,779,588                            | 9,043,421           | 21,493,526                       | 22,150,533          |
| Trade receivable - other companies              | 139,846,977                          | 81,526,634          | 118,296,569                      | 67,229,280          |
| <b>Total trade receivable</b>                   | <b>142,626,565</b>                   | <b>90,570,055</b>   | <b>139,790,095</b>               | <b>89,379,813</b>   |
| Value added tax receivable                      | 1,903,064                            | 1,517,895           | 1,877,961                        | 1,497,290           |
| Income tax receivable (Note 15)                 | 1,331,600                            | -                   | 1,331,600                        | -                   |
| Interest receivable                             | 1,410,256                            | 1,396,129           | 1,388,111                        | 1,360,453           |
| Other receivables                               | 4,940,360                            | 2,506,838           | 4,937,620                        | 2,506,838           |
| <b>Total</b>                                    | <b>152,211,845</b>                   | <b>95,990,917</b>   | <b>149,325,387</b>               | <b>94,744,394</b>   |

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

|  | In Baht                              |                     |                                  |                     |
|--|--------------------------------------|---------------------|----------------------------------|---------------------|
|  | Consolidated<br>financial statements |                     | Separate<br>financial statements |                     |
|  | 30 June<br>2014                      | 31 December<br>2013 | 30 June<br>2014                  | 31 December<br>2013 |
| Accounts receivable - related companies              |                                      |                     |                                  |                     |
| Not yet due receivable                               | 1,274,685                            | 8,194,615           | 19,988,623                       | 21,301,727          |
| Over due   |                                      |                     |                                  |                     |
| Less than 3 months                                   | 1,504,903                            | 848,806             | 1,504,903                        | 848,806             |
| <b>Total accounts receivable - related companies</b> | <b>2,779,588</b>                     | <b>9,043,421</b>    | <b>21,493,526</b>                | <b>22,150,533</b>   |
| Accounts receivable - other companies                |                                      |                     |                                  |                     |
| Not yet due receivable                               | 134,155,312                          | 80,153,410          | 117,318,733                      | 65,856,056          |
| Over due   |                                      |                     |                                  |                     |
| Less than 3 months                                   | 5,691,665                            | 1,373,224           | 977,836                          | 1,373,224           |
| <b>Total accounts receivable - other companies</b>   | <b>139,846,977</b>                   | <b>81,526,634</b>   | <b>118,296,569</b>               | <b>67,229,280</b>   |

**8. ACCOUNTS RECEIVABLE - PLANTERS**

Consolidated financial statements and Separate financial statements

|   | In Baht           |                     |
|---|-------------------|---------------------|
|   | 30 June<br>2014   | 31 December<br>2013 |
| Accounts receivable - planters              | 31,853,099        | 40,208,588          |
| <u>Less</u> allowance for doubtful accounts | (741,856)         | (563,785)           |
| Net   | <u>31,111,243</u> | <u>39,644,803</u>   |

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**9. INVENTORIES**

Consolidated financial statements

|   | In Baht            |                    |   |                    |                    |                    |
|---|--------------------|--------------------|---|--------------------|--------------------|--------------------|
|   | Cost               |                    | Allowance for diminution of inventories |                    | Inventories - net  |                    |
|   | 30 June 2014       | 31 December 2013   | 30 June 2014                            | 31 December 2013   | 30 June 2014       | 31 December 2013   |
| Finished goods and semi - finished products | 285,579,116        | 286,580,350        | (721,667)                               | (1,383,441)        | 284,857,449        | 285,196,909        |
| Raw material and supplies                   | 33,551,016         | 27,864,589         | (437,861)                               | (564,000)          | 33,113,155         | 27,300,589         |
| Seeds, insecticide fertilizer               | 42,249,418         | 27,120,236         | (1,189,233)                             | (146,040)          | 41,060,185         | 26,974,196         |
| <b>Total</b>                                | <b>361,379,550</b> | <b>341,565,175</b> | <b>(2,348,761)</b>                      | <b>(2,093,481)</b> | <b>359,030,789</b> | <b>339,471,694</b> |

Separate financial statements

|   | In Baht            |                    |   |                    |                    |                    |
|---|--------------------|--------------------|---|--------------------|--------------------|--------------------|
|   | Cost               |                    | Allowance for diminution of inventories |                    | Inventories - net  |                    |
|   | 30 June 2014       | 31 December 2013   | 30 June 2014                            | 31 December 2013   | 30 June 2014       | 31 December 2013   |
| Finished goods and semi - finished products | 284,560,749        | 286,580,350        | (721,667)                               | (1,383,441)        | 283,839,082        | 285,196,909        |
| Raw material and supplies                   | 33,551,016         | 27,864,589         | (437,861)                               | (564,000)          | 33,113,155         | 27,300,589         |
| Seeds, insecticide fertilizer               | 42,249,417         | 27,120,236         | (1,189,233)                             | (146,040)          | 41,060,184         | 26,974,196         |
| <b>Total</b>                                | <b>360,361,182</b> | <b>341,565,175</b> | <b>(2,348,761)</b>                      | <b>(2,093,481)</b> | <b>358,012,421</b> | <b>339,471,694</b> |

**10. PROPERTY, PLANT AND EQUIPMENT**

|   | In Baht                           |                               |
|---|-----------------------------------|-------------------------------|
|   | Consolidated financial statements | Separate financial statements |
| For the six month period ended 30 June 2014 |                                   |                               |
| Book value, beginning of period             | 367,991,602                       | 367,505,586                   |
| Acquisition of assets                       | 29,854,586                        | 29,841,596                    |
| Disposals and amortization                  | (129,702)                         | (129,702)                     |
| Depreciation                                | (30,307,519)                      | (30,111,924)                  |
| <b>Book value, end of period</b>            | <b>367,408,967</b>                | <b>367,105,556</b>            |

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**11. TRADE AND OTHER PAYABLES**

|  | In Baht            |                     |                    |                     |
|--|--------------------|---------------------|--------------------|---------------------|
|  | Consolidated       |                     | Separate           |                     |
|  | 30 June<br>2014    | 31 December<br>2013 | 30 June<br>2014    | 31 December<br>2013 |
| Trade payables                                     | 59,851,274         | 36,845,438          | 59,851,274         | 36,845,438          |
| Accrued commission - related<br>company (Note 5.2) | 1,647,581          | 5,017,747           | 1,647,581          | 4,581,133           |
| Accrued expenses                                   | 34,904,131         | 39,341,703          | 34,019,275         | 38,002,737          |
| Revenue Department payable<br>(Note 15)            | 11,549,251         | -                   | 11,549,251         | -                   |
| Other payables                                     | 83,869             | 466,754             | 83,869             | 466,754             |
| Total  | <u>108,036,106</u> | <u>81,671,642</u>   | <u>107,151,250</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.(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<br>financial<br>statements | Separate<br>financial<br>statements |
| For the six month periods ended 30 June       |   |                                     |
| Defined benefit obligations at 1 January 2014 | 35,301,931                              | 34,182,292                          |
| Current service costs and interest            | 2,449,836                               | 2,339,412                           |
| Defined benefit obligations at 30 June 2014   | <u>37,751,767</u>                       | <u>36,521,704</u>                   |

**13. 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.

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**14. 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 six - month periods ended 30 June 2014 and 2013, export sales of the Group was 99% of total sales.

**15. 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, which recorded in the consolidated and separate statements of financial position under "Revenue Department payable" (Note 11). 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 three-month and six-month periods ended 30 June 2014.

**16. INCOME TAX**

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

|  | In Baht          |                   |                      |                  |
|--|------------------|-------------------|----------------------|------------------|
|  | Consolidated     | financial         | Separate             |                  |
|  | statements       |                   | financial statements |                  |
|  | 2014             | 2013              | 2014                 | 2013             |
| <b>Current income tax:</b>   |                  |                   |                      |                  |
| Interim corporate income tax charge  | 6,490,737        | 10,469,706        | 6,490,737            | 9,803,612        |
| <b>Deferred tax:</b>   |                  |                   |                      |                  |
| Relating to origination and reversal<br>of temporary differences                 | (471,711)        | 71,330            | (460,668)            | 75,612           |
| <b>Income tax expense reported in the statements<br/>of comprehensive income</b> | <b>6,019,026</b> | <b>10,541,036</b> | <b>6,030,069</b>     | <b>9,879,224</b> |



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Income tax expenses for the six-month periods ended 30 June 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  | 9,141,730            | 14,534,251        | 9,141,730            | 13,783,254        |
| <b>Deferred tax:</b>   |                      |                   |                      |                   |
| Relating to origination and reversal of temporary differences                | (548,878)            | (150,626)         | (526,793)            | (142,062)         |
| <b>Income tax expense reported in the statements of comprehensive income</b> | <u>8,592,852</u>     | <u>14,383,625</u> | <u>8,614,937</u>     | <u>13,641,192</u> |

**17. 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 June 2014, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 31.4 million in exchange of Baht 1,020.7 million with 3 commercial banks. The contract will be due in June 2015. Per comparative between fair value and contract value, the loss amounting Baht 2.5 million is incurred.

**18. COMMITMENT AND CONTINGENT LIABILITIES**

As at 30 June 2014;

- 18.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 18.2 The Company has commitments for software license and system consulting agreement amounting of Baht 1.5 million.
- 18.3 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.

**19. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

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

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