

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2015 (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 2014. 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 2014.

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 FINANCIAL REPORTING STANDARDS

During the period, the Group adopted the revised and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the financial statements of the Group. However, some of these standards involve changes to key principles, as follow:

Accounting Standards:	
TAS 19 (revised 2014)	Employee Benefits
Financial Reporting Standards:	
TFRS 10	Consolidated Financial Statements
TFRS 11	Joint Arrangement
TFRS 12	Disclosure of Interests in Other Entities
TFRS 13	Fair Value Measurement

The above accounting standard and financial reporting standards do not have any significant impact on the financial statements of the Group.

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 2014

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
<u>Subsidiary :</u>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u>	
P.P. Foods Supply Co., Ltd.	Common shareholder
C.T.Prosper Group Co.,Ltd.	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

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5. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

5.2 Balances of transactions with subsidiary and related companies

	In Baht			
	Consolidated financial statements		Separate financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Accrued commission				
P. P. Foods Supply Co., Ltd.	40,205	138,037	40,205	138,037
Deposit				
Agrifood Processing Co., Ltd.	-	-	-	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 2015 and 2014 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	-	44,737,246
Other income				
Agrifood Processing Co., Ltd.	-	-	-	168,900
C.T.Prosper Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	22,500	22,500	22,500	191,400
Commission expenses				
P.P. Foods Supply Co., Ltd.	40,706	771,641	40,706	771,641
Directors and management's remuneration	6,607,750	7,541,663	6,607,750	6,953,213

6. SHORT - TERM INVESTMENTS

As at 31 March 2015, The Group has fixed deposit which are 4 and 15 months (31 December 2014: 4 and 15 months) bear interest at the rate of 2.50% - 2.95% per annum (31 December 2014: 2.40% - 2.95% per annum).

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7. TRADE AND OTHER RECEIVABLES

	In Baht			
	Consolidated financial statements		Separate financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Trade receivable - other companies	85,544,680	83,261,270	85,544,680	83,261,270
Value added tax receivable	1,954,088	3,099,809	1,954,088	3,099,809
Income tax receivable	589,178	1,331,600	589,178	1,331,600
Interest receivable	736,256	1,557,010	717,396	1,535,974
Other receivables	2,709,613	2,332,382	2,705,754	2,332,382
Total	91,533,815	91,582,071	91,511,096	91,561,035

Aging of trade accounts receivable as at 31 March 2015 and 31 December 2014 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Accounts receivable - other companies				
Not yet due receivable	82,869,271	78,057,504	82,869,271	78,057,504
Over due				
Less than 3 months	2,675,409	5,203,766	2,675,409	5,203,766
Total accounts receivable - other companies	85,544,680	83,261,270	85,544,680	83,261,270

8. ACCOUNTS RECEIVABLE - PLANTERS

Consolidated financial statements and Separate financial statements

	In Baht	
	31 March 2015	31 December 2014
Accounts receivable- planters	7,801,126	25,435,761
<u>Less</u> allowance for doubtful accounts	(563,785)	(604,860)
Net	7,237,341	24,830,901

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9. INVENTORIES

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Finished goods and semi - finished products	422,328,053	382,950,979	(951,805)	(919,719)	421,376,248	382,031,260
Raw material and supplies	31,322,355	27,726,549	(669,476)	(584,565)	30,652,879	27,141,984
Seeds, insecticide fertilizer	52,892,696	28,196,280	(703,893)	(703,894)	52,188,803	27,492,386
Total	506,543,104	438,873,808	(2,325,174)	(2,208,178)	504,217,930	436,665,630

10. PROPERTY, PLANT AND EQUIPMENT

	In Baht	
	Consolidated financial statements	Separate financial statements
For the three month period ended 31 March 2015		
Book value, beginning of period	347,231,135	347,150,536
Acquisition of assets	5,143,718	5,143,718
Depreciation	(12,359,879)	(12,352,145)
Book value, end of period	340,014,974	339,942,109

11. INTANGIBLE ASSET - SOFTWARE

	In Baht	
	Consolidated financial statements	Separate financial statements
For the three month period ended 31 March 2015		
Book value, beginning of period	6,751,545	6,751,545
Acquisition of assets	2,541	2,541
Disposals and amortization	(95,045)	(94,045)
Book value, end of period	6,660,041	6,660,041

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12. TRADE AND OTHER PAYABLES

	In Baht			
	Consolidated financial statements		Separate financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Trade payables	31,273,566	35,389,796	31,273,566	35,389,796
Accrued commission – related company (Note 5.2)	40,205	138,037	40,205	138,037
Accrued expenses	30,453,377	38,358,285	30,453,377	36,939,906
Other payables	555,508	300,974	555,508	300,974
Total	<u>62,322,656</u>	<u>74,187,092</u>	<u>62,322,656</u>	<u>72,768,713</u>

13. 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:

Consolidated financial statements and Separate financial statements

	In Baht
For the three month periods ended 31 March 2558	
Defined benefit obligations at 1 January 2558	40,303,820
Current service costs and interest	1,153,545
Employee benefit paid	(1,331,200)
Defined benefit obligations at 31 March 2558	<u>40,126,165</u>

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. Therefore, these financial statements do not present the geographical segment.

For the three - month periods ended 31 March 2015 and 2014, export sales of the Group was 99% of total sales.

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15. INCOME TAX

Income tax expenses for the three-month periods ended 31 March 2015 and 2014 are made up as follows:

	In Baht			
	Consolidated financial		Separate	
	statements		financial statements	
	2015	2014	2015	2014
Current income tax:				
Interim corporate income tax charge	18,107	2,650,994	18,107	2,650,994
Deferred tax:				
Relating to origination and reversal of temporary differences	956,469	(77,168)	730,469	(66,126)
Income tax expense reported in the statements of comprehensive income	977,576	2,573,826	748,576	2,584,868

16. 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 2015, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 23.9 million in exchange of Baht 783.2 million with 3 commercial banks. The contract will be due in March 2015. Per comparative between fair value and contract value, the profit amounting Baht 1.6 million is incurred.

17. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2015;

- 17.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 17.2 The Company has commitments for software license and system consulting agreement amounting of Baht 0.5 million.
- 17.3 The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 1.2 million.
- 17.4 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.

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18. EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the shareholders' meeting for the year 2015 held on 28 April 2015 had the resolution to approve the payment of cash dividends at Baht 0.1 per share to the shareholders of 381,145,725 shares totaling Baht 38.1 million from operational result of year 2014. Such dividend will be paid on 14 May 2015.

19. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of directors on May 2015. 14