

**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 2015 (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 2014) 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:

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

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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	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
<b>Accrued commission</b>				
P. P. Foods Supply Co., Ltd.	85,168	138,037	85,168	138,037
<b>Deposit</b>				
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 30 June 2015 and 2014 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	-	58,069,684
<b>Revenue Dividend</b>				
Agrifood Processing Co., Ltd.	-	-	16,799,993	-
<b>Other income</b>				
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
<b>Commission expenses</b>				
P.P. Foods Supply Co., Ltd.	126,707	546,304	126,707	546,304
<b>Directors and management's remuneration</b>	7,030,033	7,445,989	7,030,033	6,881,324

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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 periods ended 30 June 2015 and 2014 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	-	102,806,930
<b>Revenue Dividend</b>				
Agrifood Processing Co., Ltd.	-	-	16,799,993	-
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	-	337,800
C.T.Prosper Group Co.,Ltd.	45,000	45,000	45,000	45,000
Total	45,000	45,000	45,000	382,800
<b>Commission expenses</b>				
P.P. Foods Supply Co., Ltd.	167,413	1,317,945	167,413	1,317,945
<b>Directors and management's remuneration</b>	13,637,783	14,987,652	13,637,783	13,834,538

**6. SHORT - TERM INVESTMENTS**

As at 30 June 2015, The Group has fixed deposit which are 15 months (31 December 2014: 4 and 15 months) bear interest at the rate of 2.95% per annum (31 December 2014: 2.40% - 2.95% per annum).

**7. TRADE AND OTHER RECEIVABLES**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Trade receivable - other companies	123,848,048	83,261,270	123,848,048	83,261,270
Value added tax receivable	2,073,816	3,099,809	2,073,816	3,099,809
Income tax receivable	589,177	1,331,600	589,177	1,331,600
Interest receivable	1,215,160	1,557,010	1,195,418	1,535,974
Other receivables	3,520,334	2,332,382	3,516,392	2,332,382
Total	131,246,535	91,582,071	131,222,851	91,561,035

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**7. TRADE AND OTHER RECEIVABLES (CON'T)**

Aging of trade accounts receivable as at 30 June 2015 and 31 December 2014 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Accounts receivable - other companies				
Not yet due receivable	120,590,852	78,057,504	120,590,853	78,057,504
Over due				
Less than 3 months	3,257,195	5,203,766	3,257,195	5,203,766
Total accounts receivable - other companies	<u>123,848,047</u>	<u>83,261,270</u>	<u>123,848,048</u>	<u>83,261,270</u>

**8. ACCOUNTS RECEIVABLE - PLANTERS**

Consolidated financial statements and Separate financial statements

	In Baht	
	30 June 2015	31 December 2014
Accounts receivable- planters	28,008,346	25,435,761
<u>Less</u> allowance for doubtful accounts	<u>(858,413)</u>	<u>(604,860)</u>
Net	<u>27,149,933</u>	<u>24,830,901</u>

**9. INVENTORIES**

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Finished goods and semi - finished products	363,465,179	382,950,979	(838,007)	(919,719)	362,627,172	382,031,260
Raw material and supplies	32,884,053	27,726,549	(709,250)	(584,565)	32,174,803	27,141,984
Seeds, insecticide fertilizer	48,466,193	28,196,280	(715,893)	(703,894)	47,750,300	27,492,386
	444,815,425	438,873,808	(2,263,150)	(2,208,178)	442,552,275	436,665,630
Total	<u>444,815,425</u>	<u>438,873,808</u>	<u>(2,263,150)</u>	<u>(2,208,178)</u>	<u>442,552,275</u>	<u>436,665,630</u>

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**10. INVESTMENT INSUBSIDIARY**

As at 30 June 2015 and 31 December 2014.

Activities	Paid up Capital (In Baht)	% Holdings	At Cost (In Baht)	Dividend	
				2015	2014
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution 30,000,000	100.0	23,353,658	16,799,993	-

In December 2014, Agrifood Processing Co.,Ltd. has to suspend the business operation, transmuted sweet corn distribution and transfer businesses and employees to Chiangmai Frozen foods PCL. According to the resolution of Board of Directors on 14 August 2015 approved the liquidation of its subsidiary (Agrifood Processing Co.,Ltd.).

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.

**11. PROPERTY, PLANT AND EQUIPMENT**

	In Baht	
	Consolidated financial statements	Separate financial statements
For the six month period ended 30 June 2015		
Book value, beginning of period	347,231,135	347,150,536
Acquisition of assets	8,956,282	8,956,282
Disposals and amortization	(2,337)	(2,337)
Depreciation	(30,102,297)	(30,086,743)
Book value, end of period	326,082,783	326,017,738

**12. INTANGIBLE ASSET - SOFTWARE**

	In Baht	
	Consolidated financial statements	Separate financial statements
For the six month period ended 30 June 2015		
Book value, beginning of period	6,751,545	6,751,545
Acquisition of assets	552,559	552,559
Amortization	(218,336)	(218,336)
Book value, end of period	7,085,768	7,085,768

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**13. TRADE AND OTHER PAYABLE**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
Trade payables	55,960,220	35,389,796	55,960,220	35,389,796
Accrued commission – related company (Note 5.2)	85,168	138,037	85,168	138,037
Accrued expenses	31,793,168	38,358,285	31,768,167	36,939,906
Other payables	628,110	300,974	628,110	300,974
Total	<u>88,466,666</u>	<u>74,187,092</u>	<u>88,441,665</u>	<u>72,768,713</u>

**14. 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 six month periods ended 30 June 2558	
Defined benefit obligations at 1 January 2558	40,303,820
Current service costs and interest	2,307,090
Employee benefit paid	(1,609,600)
Defined benefit obligations at 30 June 2558	<u>41,001,310</u>

**15. DIVIDEND PAID**

At the ordinary shareholders' meeting dated on 28 April 2015, the shareholders approved the payment of dividends at Baht 0.10 per share for 381,145,725 shares totaling Baht 38.1 million out of operating of the year 2014 and the Company has already paid for such dividends on 14 May 2015.

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.

**16. SEGMENT INFORMATION**

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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 and six - month periods ended 30 June 2015 and 2014, export sales of the Group was 99% of total sales.

**17. INCOME TAX**

Income tax expenses for the three-month periods ended 30 June 2015 and 2014 are made up as follows:

	In Baht			
	Consolidated financial		Separate	
	statements		financial statements	
	2015	2014	2015	2014
<b>Current income tax:</b>				
Interim corporate income tax charge	16,776,915	6,490,737	16,776,915	6,490,737
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	<u>(36,166)</u>	<u>(471,711)</u>	<u>(36,166)</u>	<u>(460,668)</u>
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>16,740,749</u>	<u>6,019,026</u>	<u>16,740,749</u>	<u>(6,030,069)</u>

Income tax expenses for the six-month periods ended 30 June 2015 and 2014 are made up as follows:

	In Baht			
	Consolidated financial		Separate	
	statements		financial statements	
	2015	2014	2015	2014
<b>Current income tax:</b>				
Interim corporate income tax charge	16,795,022	9,141,730	16,795,022	9,141,730
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	<u>923,303</u>	<u>(548,878)</u>	<u>694,303</u>	<u>(526,793)</u>
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>17,718,325</u>	<u>8,592,852</u>	<u>17,489,325</u>	<u>8,614,937</u>

**18. FOREIGN CURRENCY RISK AND RISK MANAGEMENT**



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The Company exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Company has policies to hedge such risks by using derivative financial instruments. As at 30 June 2015, the Company has outstanding forward foreign exchange selling contracts total of U.S. Dollars 19.45 million in exchange of Baht 644.71 million with 3 commercial banks. The contract will be due within December 2015. Per comparative between fair value and contract value, the loss amounting Baht 14.63 million is incurred.

**19. COMMITMENT AND CONTINGENT LIABILITIES**

As at 30 June 2015;

- 19.1 The Company has commitments for software license and system consulting agreement amounting of Baht 0.5 million.
- 19.2 The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 1.2 million.
- 19.3 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 August 2015. 14