

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 2016
(UNAUDITED)

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was listed on the Stock Exchange of Thailand in 1993. The company is engaged in business of manufacturing and exporting of frozen vegetable. 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 2015) Interim Financial Reporting; guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2015. 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 2015.

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.

Agrifood Processing Co., Ltd. registered for liquidations with the Ministry of Commerce on 21 December 2015. For the purpose of consolidated financial statements preparation, the Company presented the related consolidated statements of comprehensive income, changes in shareholders’ equity and cash flows for the period from 1 January 2015 to 21 December 2015. The Company does not prepared the consolidated statements of financial position as at 31 December 2015.

“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 its subsidiary have been eliminated in the interim consolidated financial statements.

3. NEW FINANCIAL REPORTING STANDARDS

During the period, the Company has 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 2016. 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 Company’s financial statements.

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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 2015. The accounting policies disclosed additional for Investments in unit trusts of mutual funds.

Investments in unit trusts of mutual funds which the Company holds as trading investments are determined at fair value. Gains or losses arising from changes in the value of securities are included in statement of income. The fair value of unit trusts is determined from their net asset value.

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:

	<u>Relationship</u>
<u>Subsidiary :</u> Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u> C.T.Prospers Group Co., Ltd.	Common Shareholders and directors

	<u>Pricing policy</u>
Rental income	At contract price which had been agreed upon

5.2 Revenue and expenses among the Company, subsidiary and related companies

Revenue and expenses among the Company, subsidiary and related companies for the three - month periods ended 30 September 2016 and 2015 are as follows:

	<u>In Baht</u>		
	<u>Consolidated financial statements</u>	<u>Separate financial statement</u>	
	2015	2016	2015
Other income			
Related company	22,500	22,500	22,500
Commission expenses			
P.P. Foods Supply Co., Ltd.	91,626	-	91,626
Directors and management's benefits			
Short-term employee benefits	7,019,189	7,258,220	7,019,189
Post-employment benefits	190,587	202,531	190,587
Total	<u>7,209,776</u>	<u>7,460,751</u>	<u>7,209,776</u>

Revenue and expenses among the Company, subsidiary and related companies for the nine - month periods ended 30 September 2016 and 2015 are as follows:

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	In Baht		
	Consolidated	Separate financial	
	financial statements	statement	
	2015	2016	2015
Dividend income			
Subsidiary	-	-	16,799,993
Other income			
Related company	67,500	67,500	67,500
Commission expenses			
P.P. Foods Supply Co., Ltd.	259,038	-	259,038
Directors and management's benefits			
Short-term employee benefits	20,656,972	20,777,244	20,656,972
Post-employment benefits	571,760	607,592	571,760
Total	21,228,732	21,384,836	21,228,732

6. SHORT - TERM INVESTMENTS

	In Baht	
	30 September	31 December
	2016	2015
Fixed deposits	200,000,000	300,000,000
Trading investment - Fund	100,248,500	-
	300,248,500	300,000,000

The movement in short - term investments for nine - month periods ended 30 September 2016 can be analysed as follows:

	In Baht
Opening balance	
Additions	-
Repayment/ disposal during the period	100,000,000
Gain on change in fair value	248,500
Ending balance	100,248,500

7. TRADE AND OTHER RECEIVABLES

	In Baht	
	30 September	31 December
	2016	2015
Trade receivable - other companies	108,457,695	72,923,379
Value added tax receivable	1,919,139	2,094,465
Interest receivable	296,575	444,313
Prepaid expense	2,408,845	338,176
Advance payment	200,500	683,435
Other receivables	1,031,683	2,293,416
Total	114,314,437	78,777,184

The aging of outstanding balance as at 30 September 2016 and 31 December 2015 are as follows:

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	In Baht	
	30 September 2016	31 December 2015
Trade receivable - other companies		
Within credit terms	103,255,691	72,062,938
Overdue		
Less than 3 months	3,903,027	860,441
3- 6 months	1,298,977	-
Total Trade receivable - other companies - net	<u>108,457,695</u>	<u>72,923,379</u>

8. ACCOUNTS RECEIVABLE - PLANTERS

	In Baht	
	30 September 2016	31 December 2015
Accounts receivable - planters	31,926,493	24,954,022
<u>Less</u> Allowance for doubtful accounts	<u>(668,851)</u>	<u>(563,785)</u>
Net	<u>31,257,642</u>	<u>24,390,237</u>

9. INVENTORIES

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Finished goods and semi - finished products	356,686,778	396,811,120	(3,939,556)	(1,559,012)	352,747,222	395,252,108
Raw material and Supplies	26,625,824	30,226,348	(1,010,387)	(900,357)	25,615,437	29,325,991
Seeds, insecticide Fertilizer	33,899,111	28,303,881	(10,380)	(1,009,293)	33,888,731	27,294,588
Total	<u>417,211,713</u>	<u>455,341,349</u>	<u>(4,960,323)</u>	<u>(3,468,662)</u>	<u>412,251,390</u>	<u>451,872,687</u>

During the period, the company reduced cost of inventories by Baht 1.5 million to reflect the net realizable value. This was included in cost of sales.

10. RECEIVABLE FROM THE LIQUIDATION OF A SUBSIDIARY

Agrifood Processing Co., Ltd. is a subsidiary (100% holding) registered for liquidations with the Ministry of Commerce on 21 December 2015, therefore, the assets and liabilities of Agrifood processing Co., Ltd. have been derecognized in the consolidated financial statements and replaced with the recognition of the investment in Agrifood Processing Co., Ltd. written down to its recoverable amount as at 21 December 2015 totally Baht 31.18 million.

11. PROPERTY, PLANT AND EQUIPMENT

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	<u>In Baht</u>
For the nine - month period ended 30 September 2016	
Book value, beginning of period	328,028,136
Acquisition of assets	44,744,964
Disposals and amortization	(159,462)
Depreciation	(32,724,617)
Book value, end of period	<u>339,889,021</u>

12. LEASE DEPOSIT

On 25 March 2016, The Company has signed the pre-deposit lease agreement with the lessor. The pre lease deposit agreement for the land of 47.73 Acres has the total lease value through the lease period of U.S. Dollars 1.43 million (equivalent to Baht 50.57 million at exchange rate from Bank of Thailand as of 25 March 2016 stated 35.32 Baht/USD). The lease period is 50 years and the extension offering right considered 10 years for each extension. The Company shall arrange the deposit for 50% of total lease value, considering U.S. Dollars 0.71 million (equivalent to Baht 25.3 million) immediately after signing the pre lease deposit agreement on 25 March 2016. The remaining lease value shall be paid upon the lease agreement date. The lessor is obliged to fill the land appropriate for the plant construction, and coordinate with the authorities to arrange the usage of land allowed the construction of plant prior to the entering of lease agreement with the Company's subsidiary currently determining for the incorporation in Myanmar, within 9 months started from 1 April 2016.

13. INTANGIBLE ASSETS - SOFTWARE

	<u>In Baht</u>
For the nine - month period ended 30 September 2016	
Book value, beginning of period	7,497,315
Acquisition of assets	670,800
Amortization	(288,307)
Book value, end of period	<u>7,879,808</u>

14. TRADE AND OTHER PAYABLES

	<u>In Baht</u>	
	<u>30 September 2016</u>	<u>31 December 2015</u>
Trade payables	23,889,894	34,014,402
Accrued expenses	34,412,805	41,691,452
Other payable	2,767,568	6,454,811
Total	<u>61,070,267</u>	<u>82,160,665</u>

15. EMPLOYEE BENEFIT OBLIGATIONS

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The Company 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
For the nine - month period ended 30 September 2016	
Defined benefit obligations at 1 January 2016	40,934,900
Current service costs and interest	3,375,555
Employee benefit paid	(548,100)
Defined benefit obligations at 30 September 2016	43,762,355

16. AUTHORIZED SHARE CAPITAL

The shareholder meeting held on 26 April 2016, passed a resolution, approved the capital decrease due unissued from share registered of Baht 381,146,251 to Baht 381,145,725 The Company registered such changes in share capital with the Ministry of Commerce on 1 July 2016.

17. DIVIDEND PAID

At the ordinary shareholders' meeting dated on 26 April 2016, the shareholders approved the payment of dividends at Baht 0.20 per share for 381,145,725 shares totaling Baht 76.2 million out of operating of the year 2015 and the Company has already paid for such dividends on 12 May 2016.

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.

18. 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 Company has engaged in business of manufacturing and distribution of frozen vegetables and operated in one geographical area in Thailand. Therefore, these financial statements do not present the geographical segment.

For the three - month and nine - month periods ended 30 September 2016 and 2015, export sales of the Company was 99% of total sales

19. INCOME TAX

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Income tax for the three - month periods ended 30 September 2016 and 2015 are made up as follows:

	In Baht		
	Consolidated financial statements	Separate financial statement	
	2015	2016	2015
Current income tax:			
Interim corporate income tax charge	10,740,828	16,367,768	10,740,828
Deferred tax:			
Relating to origination and reversal of temporary differences	(306,164)	(504,468)	(306,164)
Income tax expense reported in the statements of comprehensive income	<u>10,434,664</u>	<u>15,863,300</u>	<u>10,434,664</u>

Income tax for the nine - month periods ended 30 September 2016 and 2015 are made up as follows:

	In Baht		
	Consolidated financial statements	Separate financial statement	
	2015	2016	2015
Current income tax:			
Interim corporate income tax charge	27,535,850	41,729,316	27,535,850
Deferred tax:			
Relating to origination and reversal of temporary differences	617,139	(2,782,436)	388,139
Income tax expense reported in the statements of comprehensive income	<u>28,152,989</u>	<u>38,946,880</u>	<u>27,923,989</u>

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company and its subsidiaries endeavor to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels as follows:

Level 1 - Use of quoted market prices in an observable active market for such assets or liabilities

Level 2 - Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3 - Use of unobservable inputs such as estimates of future cash flows

As at 30 September 2016, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

(Unit : Baht)

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value				
Held for trade investments				
Unit Trust	-	100,248,500	-	100,248,500

21. FOREIGN CURRENCY RISK AND RISK MANAGEMENT

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 September 2016, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 21.6 million in exchange of Baht 762.2 million with 4 commercial banks. The contract will be due in January 2017. Per comparative between fair value and contract value, the gain amounting Baht 10.1 million is incurred.

As at 30 September 2016, the Company has accrued commission amounting of U.S. Dollars 0.05 million which are not hedged.

22. COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2016

22.1 The Company has commitments for software license and system consulting agreement amounting of Baht 0.5 million.

22.2 The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 0.3 million.

22.3 The Company has contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 11.0 million.

22.4 The Company has capital expenditure in respect of the repairing of the plant amounting of Baht 19.3 million.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of Directors on 11 November 2016.