

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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**1. GENERAL INFORMATION**

Chiangmai Frozen Foods Public Company Limited was listed on the Stock Exchange of Thailand in 1993. the Company are 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 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 FINANCIAL STATEMENTS PREPARATION**

The consolidated and the separate financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); and applicable rules and regulations of the Thai Securities and Exchange Commission.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies

The consolidated financial statements include the financial statements of Chiangmai Frozen Foods Public Company Limited and its subsidiary, Agrifood Processing Company Limited. with the holding of 100% of authorized share.

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 consolidated financial statements.

For the convenience of the user, an English translation of the financial statements has been prepared from the financial statements that are issued in the Thai language.

**3. NEW FINANCIAL REPORTING STANDARDS**

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- (a) Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (revised 2015) and new financial reporting standards and accounting treatment guidance 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.

- (b) Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2016) which is effective for fiscal years beginning on or after 1 January 2017. 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 management of the Company believe that the revised and new financial reporting standards and interpretations will not have any significant impact on the financial statements when they are initially applied. However, one standard involves changes to key principles, which are summarised below.

**TAS 27 (revised 2016) Separate Financial Statements**

This revised standard stipulates an additional option to account for investments in subsidiaries in separate financial statements under the equity method, as described in TAS 28 (revised 2016) Investments in Associates and Joint Ventures. However, the entity is to apply the same accounting treatment for each category of investment. If an entity elects to account for such investments using the equity method in the separate financial statements, it has to adjust the transaction retrospectively.

#### **4. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below;

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

Deposits at financial institutions that are restricted in use are presented as "Fixed deposits pledged as collateral" as part of non - current assets in the statements of financial position.

##### **4.2 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.

##### **4.3 Accounts receivable**

Accounts receivable are carried at original invoice amount less allowance for doubtful accounts.

##### **4.4 Allowance for doubtful accounts**

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The Company provide allowance for doubtful accounts equal to the estimated losses that may be incurred in the collection of receivables and receivables- planters. The estimated losses are based on the collection experiences and the review of the current status of the existing receivables Bad debts are written off during the year in which they are identified.

#### **4.5 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

At the end of year, the Company considers the physical of finished goods in the estimation of adequately allowance for obsolete.

#### **4.6 Investments in subsidiary**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains (losses) on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group, respectively.

In the company's separated financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Transactions and non-controlling interests

The Company treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### **4.7 Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and allowance for loss on impairment (if any).

On disposal of investment properties, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period when the asset is derecognised.

#### **4.8 Property, plant and equipment**

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Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation.

Depreciation of plant and equipment are calculated on the straight line method over their estimated useful lives as follows:

	<u>No. of Years</u>
Buildings	20 years
Machineries and equipment	5-10 years
Vehicles	5 years
Office equipment and fixtures	5 years

When assets are sold or retired, the Company will eliminated their costs and accumulated depreciation from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

Building-in-progress and machinery under installation are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended operational use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

#### **4.9 Intangible asset and amortization**

Intangible asset is computer software which is stated at historical cost and amortized using the straight line method over a period of five (5) years.

#### **4.10 Impairment of assets**

The Company reviewed the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount (the higher of an assets selling price or value in use). The review is made for individual assets or the cash generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Company recognize the impairment losses in the statements of income. The reversal of impairment losses recognized in prior years is recorded as other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased.

#### **4.11 Foreign currency transactions**

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the statements of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of income.

#### **4.12 Accounting for leases - where a company is the lessee**

Leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the profit or loss over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the assets.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received

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from the less or) are charged to the profit or loss on a straight - line basis over the period of the lease.

#### **4.13 Employee benefits**

##### **Short - term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

##### **Post-employment benefits**

###### **Defined contribution plans**

The Company, and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Company. The fund's assets are held in a separate trust fund and the Company contributions are recognised as expenses when incurred.

###### **Defined benefit plans**

The Company have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in other comprehensive income.

#### **4.14 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company and subsidiary expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

#### **4.15 Revenue recognition**

The Company recognized sales as income when goods are delivered and the risks and rewards are transferred to customers.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

#### **4.16 Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

##### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

##### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward

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to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company reviews and reduces the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company records deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

#### **4.17 Basic earnings per share**

Basic earnings per share is calculated by dividing the net income by weighted average number of paid - up common shares during the years.

#### **4.18 Financial instruments**

Financial assets carried on the statements of financial position include cash and cash equivalents, fixed deposit, trade and other receivable and loan to. Financial liabilities carried on the statements of financial position include trade accounts payable, accrued income tax and accrued expenses. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

#### **4.19 Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between buyer and seller (market participants) at the measurement date. The Company and its subsidiaries apply a quoted market price in an active market to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards. Except in case of no active market of an identical asset or liability or when a quoted market price is not available, the Company and its subsidiaries measure fair value using valuation technique that are appropriate in the circumstances and maximises the use of relevant observable inputs related to assets and liabilities that are required to be measured at fair value.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy into three levels based on categorise of input to be used in fair value measurement 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

At the end of each reporting period, the Company and its subsidiaries determine whether transfers have occurred between levels within the fair value hierarchy for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis

#### **4.20 Significant accounting judgements and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Property plant and equipment/Depreciation

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In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company's plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for net realizable value

The Company considers the allowance for net realizable value based on the estimate of selling price in the ordinary course of business and normal condition of inventory. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary differences and losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of estimate future taxable profits.

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Post-employment benefits under defined benefit plans

The obligation under the defined benefit plan is determined based on actuarial techniques. Such determination is made based on various assumptions, including discount rate, future salary increase rate, mortality rate and staff turnover rate.

**4.21 Related person and companies**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiary and fellow subsidiary are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**5. TRANSACTIONS WITH RELATED COMPANIES**

**5.1 Relationships and pricing policies**

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

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

Agrifood Processing Co., Ltd. registered for liquidations with the Ministry of Commerce on 21 December 2015.

	<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 years then ended 31 December 2016 and 2015 are as follows:

	In Baht	
	Consolidated financial statements	Separate financial statements
	2015	2016      2015
<b>Dividend income</b>		
Agrifood Processing Co., Ltd.	-	-      16,799,993
<b>Other income</b>		
C.T.Prosper Group Co., Ltd.	90,000	90,000      90,000
<b>Directors and management's benefits</b>		
Short - term employee benefits	29,056,344	32,118,165      29,056,344
Post - employment benefits	757,939	805,387      757,939
Total	29,814,283	32,923,552      29,814,283

**6. CASH AND CASH EQUIVALENTS**

	In Baht	
	2016	2015
Cash on hand	110,000	127,931
Regular checking accounts	20,000	12,667
Saving accounts	405,001,595	259,593,417
Fixed deposit 3 months	-	52,015
Total	405,131,595	259,786,030

**7. SHORT - TERM INVESTMENTS**

In Baht



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	2016	2015
Fixed deposits	200,000,000	300,000,000
Trading investment - Fund	150,681,734	-
Total	<u>350,681,734</u>	<u>300,000,000</u>

The movement in short - term investments for the year ended 31 December 2016 can be analysed as follows:

	In Baht
Opening balance	-
Additions	150,000,000
Gain on change in fair value	681,734
Ending balance	<u>150,681,734</u>

**8. TRADE AND OTHER RECEIVABLES**

	In Baht	
	2016	2015
Trade receivable - other companies	66,298,480	72,923,379
Value added tax receivable	1,784,858	2,094,465
Interest receivable	183,562	444,313
Other receivables	1,695,314	3,315,027
Total	<u>69,962,214</u>	<u>78,777,184</u>

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

	In Baht	
	2016	2015
<b>Trade receivable - other companies</b>		
Within credit terms	62,823,858	72,062,938
Overdue		
Less than 3 months	1,456,334	860,441
3 - 6 months	2,018,288	-
Total Trade receivable - other companies Net	<u>66,298,480</u>	<u>72,923,379</u>

**9. ACCOUNTS RECEIVABLE - PLANTERS**

	In Baht	
	2016	2015
Accounts receivable - planters	48,902,397	24,954,022
<u>Less Allowance for doubtful accounts</u>	<u>(621,897)</u>	<u>(563,785)</u>
Net	<u>48,280,500</u>	<u>24,390,237</u>

**10. RECEIVABLE FROM THE LIQUIDATION OF A SUBSIDIARY**

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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. The derecognition of the assets and liabilities of Agrifood Processing Co., Ltd. that were derecognised comprised the following:

	<u>In Baht</u>
Cash and cash equivalents	31,242,211
Other current assets	23,297
Total assets	31,265,508
Total liabilities	(85,000)
Net Assets	<u>31,180,508</u>

Separate Financial Statements

The Company has reviewed the carrying amount of Agrifood Processing Co., Ltd. in the context of the liquidation of Agrifood Processing Co., Ltd. and concluded that the Company will receive fully amount upon the completion of the liquidation are as follows:

	<u>In Baht</u>
The carrying amount of Agrifood Processing Co., Ltd. as at 21 December 2015	31,180,508
The investment in Agrifood Processing Co., Ltd.	<u>(23,353,658)</u>
Gain on the liquidation of a subsidiary	<u>7,826,850</u>

The Company has presented this as “gain on liquidation of subsidiary” in the profit and loss in separate financial statements for the year ended 31 December 2015. Following the liquidation of Agrifood Processing Co., Ltd., net carrying value of investments in Agrifood Processing Co., Ltd. has presented in “receivable from the liquidation of subsidiary” in the separate financial statements at 31 December 2015.

In December 2016, Such subsidiary has completed the liquidation. The Company received fully amount of receivable from the liquidation of subsidiary.

**11. INVENTORIES**

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2016	2015	2016	2015	2016	2015
Finished goods and semi - finished products	300,382,012	396,811,120	(5,230,095)	(1,559,012)	295,151,917	395,252,108
Raw material and Supplies	27,399,460	30,226,348	(1,954,982)	(900,357)	25,444,478	29,325,991
Seeds, insecticide Fertilizer	24,479,440	28,303,881	(10,380)	(1,009,293)	24,469,060	27,294,588
Total	<u>352,260,912</u>	<u>455,341,349</u>	<u>(7,195,457)</u>	<u>(3,468,662)</u>	<u>345,065,455</u>	<u>451,872,687</u>

During the current year, the company reduced cost of inventories by Baht 3.73 million (2015: Baht 1.28 million) to reflect the net realizable value. This was included in cost of sales.

**12. Investment properties**

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Investment properties of the Company as at 31 December 2016 and 2015 represent the book value of the Company's plot of land which held for nonspecific purpose.

As at 31 December 2016 and 2015, the fair value of the investment property has been determined based on Market Approach performed by an accredited independent value is amounting to Baht 76.3 million.

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**13. PROPERTY, PLANT AND EQUIPMENT**

	In Baht						Total
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
As at 1 January 2015							
Cost	88,365,073	454,482,312	780,231,129	37,479,386	21,784,394	1,991,505	1,384,333,799
<u>Less</u> Accumulated depreciation	(6,307,701)	(340,191,243)	(659,576,578)	(31,581,882)	(18,913,512)	-	(1,056,570,916)
Allowance for impairment	-	(878,694)	(1,862,231)	-	-	-	(2,740,925)
Net book amount	<u>82,057,372</u>	<u>113,412,375</u>	<u>118,792,320</u>	<u>5,897,504</u>	<u>2,870,882</u>	<u>1,991,505</u>	<u>325,021,958</u>
Transactions for the year ended 31 December 2015							
Opening net book amount	82,057,372	113,412,375	118,792,320	5,897,504	2,870,882	1,991,505	325,021,958
<u>Add</u> Acquisition	-	-	7,928,372	1,488,964	1,047,675	21,104,781	31,569,792
Transfer in (out)	-	-	6,787,366	-	-	(6,787,366)	-
<u>Less</u> Disposals and amortization	-	-	(628)	(1)	(22,413)	-	(23,042)
Depreciation	-	(20,344,475)	(27,681,446)	(1,693,408)	(949,821)	-	(50,669,150)
Closing net book amount	<u>82,057,372</u>	<u>93,067,900</u>	<u>105,825,984</u>	<u>5,693,059</u>	<u>2,946,323</u>	<u>16,308,920</u>	<u>305,899,558</u>
As at 31 December 2015							
Cost	88,365,073	454,482,312	792,349,274	37,761,850	22,634,110	16,308,920	1,411,901,539
<u>Less</u> Accumulated depreciation	(6,307,701)	(360,606,152)	(685,484,515)	(32,068,791)	(19,687,787)	-	(1,104,154,946)
Allowance for impairment	-	(808,260)	(1,038,775)	-	-	-	(1,847,035)
Net book amount	<u>82,057,372</u>	<u>93,067,900</u>	<u>105,825,984</u>	<u>5,693,059</u>	<u>2,946,323</u>	<u>16,308,920</u>	<u>305,899,558</u>

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**13. PROPERTY, PLANT AND EQUIPMENT (CON'T)**

	In Baht						
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
Transactions for the year ended 31 December 2016							
Opening net book amount	82,057,372	93,067,900	105,825,984	5,693,059	2,946,323	16,308,920	305,899,558
<u>Add</u> Acquisition	-	1,660,778	7,247,979	1,102,804	1,018,241	55,467,994	66,497,796
Transfer in (out)	-	4,727,504	4,227,628	-	-	(9,588,340)	(633,208)
<u>Less</u> Disposals and amortization	-	(2,364,600)	(178,540)	(3)	(9,685)	-	(2,552,828)
Depreciation	-	(12,326,334)	(23,639,418)	(1,870,714)	(1,080,339)	-	(38,916,805)
Closing net book amount At 31 December 2016	<u>82,057,372</u>	<u>84,765,248</u>	<u>93,483,633</u>	<u>4,925,146</u>	<u>2,874,540</u>	<u>62,188,574</u>	<u>330,294,513</u>
Cost	88,365,073	423,749,111	763,399,291	35,111,863	22,323,403	62,188,574	1,395,137,315
<u>Less</u> Accumulated depreciation	(6,307,701)	(338,246,037)	(669,496,795)	(30,186,717)	(19,448,863)	-	(1,063,686,113)
Allowance for impairment	-	(737,826)	(418,863)	-	-	-	(1,156,689)
Net book amount	<u>82,057,372</u>	<u>84,765,248</u>	<u>93,483,633</u>	<u>4,925,146</u>	<u>2,874,540</u>	<u>62,188,574</u>	<u>330,294,513</u>

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**14. 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 2 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.

However, due to the difficulties in coordination with the Myanmar authorities, the Board of Director's Meeting No. 5/2016 has considered with the legal advisor and conclude that since the company still maintain their intention to invest in the project, the timeframe to complete the precedent conditions prior the engaging in lease agreement between the Lessor and the subsidiary shall be extended to be within 2017. In this regards, the intention shall be advised to Lessor to further acknowledge and proceed.

**15. INTANGIBLE ASSETS - SOFTWARE**

	In Baht		
	Software	Software in progress	Total
As at 31 December 2015			
Cost	3,388,462	6,012,218	9,400,680
Accumulated amortization	(1,903,365)	-	(1,903,365)
Net book value	<u>1,485,097</u>	<u>6,012,218</u>	<u>7,497,315</u>
Transactions for the year ended 31 December 2016			
Opening net book amount	1,485,097	6,012,218	7,497,315
<u>Add</u> : Acquisition	-	1,389,950	1,389,950
Transfer in (transfer out)	2,379,181	(2,379,181)	-
<u>Less</u> : Amortization	(330,655)	-	(330,655)
Net book value	<u>3,533,623</u>	<u>5,022,987</u>	<u>8,556,610</u>
As at 31 December 2016			
Cost	5,767,643	5,022,987	10,790,630
Accumulated amortization	(2,234,020)	-	(2,234,020)
Net book value	<u>3,533,623</u>	<u>5,022,987</u>	<u>8,556,610</u>

**16. BANK OVERDRAFTS AND SHORT - TERM LOANS**

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As at 31 December 2016 and 2015, the Company has the overdrafts and short-term loans lines amounted to Baht 406 million and Baht 436.3 million, respectively. The facilities charge an interest at the rate of MOR per annum.

**17. TRADE AND OTHER PAYABLES**

	In Baht	
	2016	2015
Trade payables	29,348,671	34,014,402
Accrued expenses	43,180,334	41,691,452
Others	2,356,603	6,454,811
Total	<u>74,885,608</u>	<u>82,160,665</u>

**18. EMPLOYEE BENEFIT OBLIGATIONS**

The Company adopted TAS 19 Employee Benefits with effect from 1 January 2011.

The Company operate post - employment benefit and pension based on the requirement of Thai Labour 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	
	2016	2015
For the year ended 31 December		
Defined benefit obligations at 1 January	40,934,900	40,303,820
Included in profit or loss:		
Interest cost	2,754,048	2,803,185
Current service costs	1,859,190	1,810,995
Benefit paid for the year	(640,200)	(3,983,100)
Defined benefit obligations at 31 December	<u>44,907,938</u>	<u>40,934,900</u>

Line items in profit or loss under which long - term employee benefit expenses are recognized are as followed:

	In Baht	
	2016	2015
Costs of sales	3,654,313	3,779,004
Sales expenses	126,001	192,684
Administrative expenses	832,924	642,492
Total expense recognized in profit or loss	<u>4,613,238</u>	<u>4,614,180</u>

The Company expect to pay Baht 1.95 million of long - term employee benefits during the next year (2015: Baht 0.58 million).

As at 31 December 2016 and 2015, the weighted average duration of the liabilities for long - term employee benefit is 20 years.

Principal actuarial assumptions at the reporting date

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Discount rate	4.16 % per annum
Salary increase rate	5.82%
Employee turnover rate	Scale related to Age ranging from 0 - 26%
Mortality rate	According to Thailand TMO 2008 male and female tables tables

**Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	In Million Baht	
	Increase	Decrease
<b>Defined benefit obligation at 31 December 2016</b>		
Discount rate ( 0.5 % movement)	(1.75)	1.87
Salary Increase Rate (0.5% movement)	2.17	(2.02)
Turnover Rate (0.5% movement)	(2.17)	2.34

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

**19. 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.

**20. LEGAL RESERVE**

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution.

**21. DIVIDENDS 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.

**22. EXPENSES BY NATURE**

Significant expenses by nature are as follows :



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	In Baht	
	2016	2015
Changes in finished goods, semi - finished products and raw materials	98,430,377	(15,636,001)
Purchase raw materials	393,784,813	498,040,843
Depreciation and amortization	39,247,460	50,838,915
Staff costs	267,270,366	267,723,634

**23. 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 year 2016 , export sales of the Company was 98% of total sales (2015 : 99% of total sales)

Major customers

For the year 2016, the Company has revenue from 3 major customers, representing 74 percent of total revenue, arising from manufacturing and distribution of frozen vegetables (2015: 77 percent of total revenue was derived from 3 major customers).

**24. PROVIDENT FUND**

The Company established a contributory registered provident fund in accordance with the Provident fund Act. B. E. 1987 Under the provident fund, the Company contributes an amount equivalent to the employees' contribution, which is 3% of their basic salaries. The company appointed The Siam Commercial Bank Public Co., Ltd. as a fund manager to manage the fund in accordance with the Provident Fund Act (B.E. 2530), which was amended by the Provident Fund Act (No.2) (B.E. 2542), under supervision of the Office of the Securities and Exchange Commission.

The Company's contribution net of the refund amount for the years ended 31 December 2016 and 2015 amounted to Baht 1.8 million and Baht 1.6 million, respectively.

**25. INCOME TAX**

Income tax expenses for the year ended 31 December 2016 and 2015 are made up as follows:

	In Baht		
	consolidated financial statements	Separate financial statements	
	2015	2016	2015
<b>Income tax recognized in profit or loss</b>			
<b>Current income tax</b>			
Current year	29,795,472	50,837,201	29,795,472
<b>Deferred tax</b>			
Relating to origination and reversal of temporary differences	2,277,181	(3,362,542)	2,048,181
<b>Total</b>	<u>32,072,653</u>	<u>47,474,659</u>	<u>31,843,653</u>
	In Baht		
	consolidated financial statements	Separate financial statements	

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	2015	2016	2015
Accounting profit before corporate income tax	151,631,131	243,850,731	175,966,037
Applicable tax rate (%)	20	20	20
Accounting profit before corporate income tax multiplied by applicable tax rate	30,326,226	48,770,147	35,193,207
Incoming not subject to tax	-	-	(4,925,369)
Incoming for tax purposes	-	1,509,899	-
Addition expenses deductible for tax purposes	(1,849,659)	(1,278,275)	(1,791,271)
Expenses not deductible for tax purposes	1,318,905	1,835,430	1,318,905
<b>Current tax</b>	29,795,472	50,873,201	29,795,472
Relating to origination and reversal of temporary differences	2,277,181	(3,362,542)	2,048,181
<b>Income tax expense</b>	<u>32,072,653</u>	<u>47,474,659</u>	<u>31,843,653</u>

Deferred tax assets is presented in the statement of financial positions as follows:

	In Baht	
	2016	2015
<b>Statements of financial position</b>		
Increase in deferred tax assets		
Allowance for doubtful accounts	124,379	112,757
Allowance for diminution of inventories	1,439,091	311,803
Provisions for employee benefit obligations	8,981,588	8,186,980
Increase in deferred tax liabilities		
Receivable from the liquidation of a subsidiary	-	(1,565,370)
Premium on revaluation of trading investments	(136,346)	-
	<u>10,408,712</u>	<u>7,046,170</u>

**26. FAIR VALUE OF FINANCIAL INSTRUMENTS**

As at 31 December 2016, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

	Level 1	Level 2	Level 3	(Unit : Baht) Total
<b>Assets measured at fair value</b>				
Held for trade investments				
Unit Trust	-	150,681,734	-	150,681,734
<b>Assets for which fair value are disclosed</b>				
Investment property	-	76,258,000	-	76,258,000

**27. FINANCIAL INSTRUMENTS**

**27.1 Credit risk**

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The Company exposed to credit risks mainly relating to their trade accounts receivable. However, the management has policies to provide adequate allowances for any possible losses that might be incurred in connection with their receivables.

**27.2 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 31 December 2016, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 23.9 million in exchange of Baht 855.5 million with 4 commercial banks. The contract will be due within 6 - 12 months. Per comparative between fair value and contract value, the loss amounting Baht 15.8 million is incurred.

As at 31 December 2016, the Company has accrued commission amounting of U.S.Dollars 0.08 million which are not hedged.

**27.3 Interest rate risk**

The Company were exposed to interest risks because it held deposits to financial institutions. However, such financial assets are month short - term, the Company and subsidiary believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flow; therefore, no financial derivative was adopted to manage such risks.

**27.4 Fair value of financial instruments**

The financial assets and liabilities include cash and cash equivalents, short-term investment, trade accounts receivable, trade accounts payable, accrued income tax and accrued expenses. Their carried values approximate to their fair values.

**28. COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 December 2016

- 28.1 The Company has commitments for software license and system consulting agreement amounting of Baht 0.5 million.
- 28.2 The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 0.3 million.
- 28.3 The Company has contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 11.0 million.
- 28.4 The Company has capital expenditure in respect of the repairing of the plant amounting of Baht 15.8 Million.

**29. EVENTS AFTER THE REPORTING PERIOD**

On 24 February 2017, the Company's Board of Directors meeting No. 1/2017 approved for payment of dividend of Baht 0.35 per share for 381,145,725 shares, or a total of approximately Baht 133.4 million, from the operating results for the year 2016.

However, this resolution will be further proposed for the shareholders' approval in the Ordinary General Meeting of Shareholders for fiscal year 2017.

**30. APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements and separate financial statements have been approved by the Company's Board of Directors on 24 February 2017.