

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE – MONTH PERIODS ENDED 31 MARCH 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

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:

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

	Pricing policy
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 31 March 2016 and 2015 are as follows:

	In Baht		
	Separate financial statement	Consolidated financial statements	
	2015	2016	2015
Dividend income			
Agrifood Processing Co., Ltd.	-	-	16,799,993
Other income			
C.T.Prosper Group Co.,Ltd.	22,500	22,500	22,500
Directors and management's benefits			
Short-term employee benefits	6,607,750	5,649,246	6,607,750
Post-employment benefits	190,587	202,531	190,587
Total	<u>6,798,337</u>	<u>5,851,777</u>	<u>6,798,337</u>

6. SHORT – TERM INVESTMENTS

As at 31 March 2016 and 31 December 2015, the Company has 5 to 8 months which bear interest at the rate of 1.45%-1.75% per annum.

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7. TRADE AND OTHER RECEIVABLES

	In Baht	
	31 March 2016	31 December 2015
Trade receivable - other companies	91,511,548	72,923,379
Value added tax receivable	2,245,529	2,094,465
Interest receivable	654,383	444,313
Prepaid expense	879,478	338,176
Advance payment	1,009,759	683,435
Other receivables	2,432,368	2,293,416
Total	<u>98,733,065</u>	<u>78,777,184</u>

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

	In Baht	
	31 March 2016	31 December 2015
Trade receivable - other companies		
Within credit terms	88,059,309	72,062,938
Overdue		
Less than 3 months	3,452,239	860,441
Total Trade receivable - other companies Net	<u>91,511,548</u>	<u>72,923,379</u>

8. ACCOUNTS RECEIVABLE – PLANTERS

	In Baht	
	31 March 2016	31 December 2015
Accounts receivable-planters	7,284,679	24,954,022
<u>Less</u> Allowance for doubtful accounts	(563,785)	(563,785)
Net	<u>6,720,894</u>	<u>24,390,237</u>

9. INVENTORIES

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Finished goods and semi - finished products	454,545,421	396,811,120	(2,053,651)	(1,559,012)	452,491,770	395,252,108
Raw material and Supplies	31,356,895	30,226,348	(555,540)	(900,357)	30,801,355	29,325,991
Seeds, insecticide Fertilizer	44,908,000	28,303,881	(1,009,293)	(1,009,293)	43,898,707	27,294,588
Total	<u>530,810,316</u>	<u>455,341,349</u>	<u>(3,618,484)</u>	<u>(3,468,662)</u>	<u>527,191,832</u>	<u>451,872,687</u>

During the period, the company reduced cost of inventories by Baht 0.14 million to reflect the net realizable value. This was included in cost of sales.

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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

	<u>In Baht</u>
For the three - month period ended 31 March 2016	
Book value, beginning of period	328,028,136
Acquisition of assets	13,676,402
Disposals and amortization	(2)
Depreciation	<u>(9,228,560)</u>
Book value, end of period	<u>332,475,976</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 2 extension offering right considered 10 years for each extension. The Company shall arrange the deposit for 50% of total lease value, considering Baht 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 three - month period ended 31 March 2016	
Book value, beginning of period	7,497,315
Acquisition of assets	255,000
Amortization	<u>(76,910)</u>
Book value, end of period	<u>7,675,405</u>

14. TRADE AND OTHER PAYABLES

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	In Baht	
	31 March 2016	31 December 2015
Trade payables	31,774,079	34,014,402
Accrued expenses	34,905,982	41,691,452
Others	1,532,931	6,454,811
Total	<u>68,212,992</u>	<u>82,160,665</u>

15. 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:

	In Baht
For the three month periods ended 31 March 2016	
Defined benefit obligations at 1 January 2016	40,934,900
Current service costs and interest	900,231
Employee benefit paid	(90,300)
Defined benefit obligations at 31 March 2016	<u>41,744,831</u>

16. 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 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 period ended 31 March 2016 and 2015, export sales of the Group was 99% of total sales

17. INCOME TAX

Income tax for the three month periods ended 31 March 2016 and 2015 are made up as follows:

	In Baht		
	Separate financial statements 2015	Consolidated financial statements 2016 2015	
Current income tax:			
Interim corporate income tax charge	18,107	7,917,051	18,107
Deferred tax:			
Relating to origination and reversal of temporary differences	959,469	(1,084,924)	730,469
Income tax expense reported in the statements of comprehensive income	<u>977,576</u>	<u>6,106,127</u>	<u>748,576</u>

18. FOREIGN CURRENCY RISK AND RISK MANAGEMENT

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The Group exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Group has policies to hedge such risks by using derivative financial instruments. As at 31 March 2016, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 9.8 million in exchange of Baht 345.2 million with 4 commercial banks. The contract will be due in June 2016. Per comparative between fair value and contract value, the loss amounting Baht 0.03 million is incurred.

As at 31 March 2016, the Group has accrued commission amounting of U.S. Dollars 0.1 million which are not hedged.

19. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2016

- 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 contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.
- 19.4 The Company has capital expenditure in respect of the repairing of the plant amounting of Baht 31.02 Million.

20. EVENTS AFTER THE REPORTING PERIOD

On 26 April 2016, the shareholders' meeting for the year 2016 had the resolution to approve the followings:

- Approved for the capital decrease amounted of 526 shares from share registered of 381,146,251 to 381,145,725.
- Approved for payment of a final dividend of Baht 0.2 per share for 381,145,725 shares, or a total of approximately Baht 76.2 million, from the operating results for the year 2015. Such dividend the payment have been paid on 12 May 2016.

21. APPROVAL OF FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of Directors on 12 May 2016.