

## **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 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 Interim Financial Reporting; guidelines promulgated by the Federation of Accounting Professions (“TFAP”); 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 2018. 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 for the year ended 31 December 2018.

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.

## **3. NEW FINANCIAL REPORTING STANDARDS**

### **3.1 Financial reporting standards that became effective in the current period**

During the period, the Company has adopted the revised (revised 2018) and new financial reporting standards and interpretations which are effective for fiscal periods beginning on or after 1 January 2019. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards with most of the changes directed towards clarifying accounting treatment and providing accounting guidance for users of the standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements. However, the new standard involves changes to key principles, which are summarised below :

#### **TFRS 15 Revenue from Contracts with Customers**

TFRS 15 supersedes the following accounting standards together with related interpretations.

TAS 11 (revised 2017)	Construction Contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - Barter Transactions Involving Advertising Services
TFRIC 13 (revised 2017)	Customer Loyalty Programmes
TFRIC 15 (revised 2017)	Agreements for the Construction of Real Estate
TFRIC 18 (revised 2017)	Transfers of Assets from Customers

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for

revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

This standard does not have any significant impact on the Company's financial statements.

### **3.2 Financial reporting standards that became effective for fiscal years beginning on or after 1 January 2020**

The Federation of Accounting Professions issued a number of new financial reporting standards and interpretations, which are effective for fiscal years beginning on or after 1 January 2020. These new standards involve changes to key principles, which are summarised below.

#### **Financial reporting standards related to financial instruments**

A set of TFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

TFRS 7 Financial Instruments: Disclosures

TFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TRFIC 16 Hedges of a Net Investment in a Foreign Operation

TRFIC 19 Extinguishing Financial Liabilities with Equity Instruments

These TFRSs related to financial instruments make stipulations relating to the classification of financial instruments and their measurement at fair value or amortised cost (taking into account the type of instrument, the characteristics of the contractual cash flows and the Company's business model), calculation of impairment using the expected credit loss method, and hedge accounting. These include stipulations regarding the presentation and disclosure of financial instruments. When the TFRSs related to financial instruments are effective, some accounting standards, interpretations and guidance which are currently effective will be cancelled.

The management of the Company is currently evaluating the impact of these standards to the financial statements in the year when they are adopted.

#### **TFRS 16 Leases**

TFRS 16 supersedes TAS 17 Leases together with related Interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is low value.

Accounting by lessors under TFRS 16 is substantially unchanged from TAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles to those used under TAS 17.

The management of the Company is currently evaluating the impact of this standard on the financial statements in the year when it is adopted.

## **4. SIGNIFICANT 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 2018, except

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for the change in the accounting policies due to the adoption of TFRS 15, *Revenue from Contracts with Customers*, as follow:

**Revenue recognition**

***Sale of goods***

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is measured at the amount of the consideration received or receivable, excluding value added tax, of goods supplied after deducting discounts and consideration payable to customers.

**5. TRANSACTIONS WITH RELATED COMPANIES**

**5.1 Relationships and pricing policies**

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

<u>Related companies :</u>	<u>Relationship</u>
C.T. Prosper Group Co., Ltd.	Common Shareholders and directors
Saithong Citrus Orchard Co., Ltd.	Common Shareholders and directors
	<u>Pricing policy</u>
Service income	Compared to market price
Rental income	At contract price which had been agreed upon
Purchase	Compared to market price

**5.2 Revenue and expenses among the Company and related companies**

Revenue and expenses among the Company and related companies for the three - month periods ended 31 March 2019 and 2018 are as follows:

	<u>In Baht</u>	
	<u>2019</u>	<u>2018</u>
<b>Other income</b>		
Related companies	22,500	361,619
<b>Purchase</b>		
Related companies	656,810	-
<b>Directors and management's benefits</b>		
Short - term employee benefits	7,541,589	7,813,816
Post - employment benefits	73,216	216,685
Total	<u>7,614,805</u>	<u>8,030,501</u>

**6. SHORT - TERM INVESTMENTS**

	<u>In Baht</u>	
	<u>31 March</u>	<u>31 December</u>
	<u>2019</u>	<u>2018</u>
Fixed deposits	150,002,005	150,002,000
Trading investment - Fund	40,239,903	40,105,389
Total	<u>190,241,908</u>	<u>190,107,389</u>

The movement in trading investment - fund for the three - month period ended 31 March 2019 can be analysed as follow:

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	In Baht
Opening balance	40,105,389
Changes in fair value	134,514
Ending balance	<u>40,239,903</u>

**7. TRADE AND OTHER RECEIVABLES**

	In Baht	
	31 March 2019	31 December 2018
Trade receivable	99,875,138	105,133,431
Value added tax receivable	1,786,621	2,413,801
Accrued interest receivable	257,812	72,881
Advance payment	1,842,731	1,299,429
Advance payment for seed	13,809,167	30,120,656
Other receivables	595,961	440,726
Total	<u>118,167,430</u>	<u>139,480,924</u>

The aging of outstanding balance as at 31 March 2019 and 31 December 2018 are as follows:

	In Baht	
	31 March 2019	31 December 2018
Trade receivable		
Within credit terms	98,237,684	70,152,589
Overdue :		
Less than 3 months	1,637,454	34,980,842
Total Trade receivable	<u>99,875,138</u>	<u>105,133,431</u>

**8. ACCOUNTS RECEIVABLE - PLANTERS**

	In Baht	
	31 March 2019	31 December 2018
Accounts receivable - planters	8,632,513	8,864,224
<u>Less</u> Allowance for doubtful accounts	(804,895)	(804,895)
Net	<u>7,827,618</u>	<u>8,059,329</u>

**9. SHORT - TERM LOANS TO OTHER COMPANY**

As at 31 March 2019, the Company has short-term loans to Sino - Thai Freeze & Dry Company Limited, which is the other investment with a proportion of 15%, the Company supported in according of investment proportion in amounting of Baht 13.6 million with an interest rate of 6.75% per year, the repayment conditions are at call.

**10. INVENTORIES**

In Baht

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	Cost		Allowance for diminution of inventories		Inventories - net	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Finished goods and semi - finished products	539,180,994	555,594,271	(3,249,224)	(4,188,313)	535,931,770	551,405,958
Raw material and Supplies	33,464,118	33,738,950	(80,496)	(96,282)	33,383,622	33,642,668
Seeds, insecticide, Fertilizer	42,233,560	28,140,957	(14,880)	(14,880)	42,218,680	28,126,077
Total	614,878,672	617,474,178	(3,344,600)	(4,299,475)	611,534,072	613,174,703

During the period, the Company reversal reduced cost of inventories Baht 0.95 million to reflect the net realizable value. This was included in cost of sales.

**11. OTHER LONG - TERM INVESTMENT**

As at 31 March 2019

Nature of Business	Paid - up Capital	Holdings	At Cost
	(In Baht)	(%)	(In Baht)
Sino - Thai Freeze & Dry Co., Ltd. Manufacturing and distributing of frozen product and freeze dried product	250,000,000	15	37,500,000

**12. INVESTMENT PROPERTY**

Investment property of the Company as at 31 March 2019 and 31 December 2018 amounted to Baht 22.1 million represent the book value of the Company's plot of land which held for nonspecific purpose.

**13. PROPERTY, PLANT AND EQUIPMENT**

	In Baht
For the three - month period ended 31 March 2019	
Book value, beginning of period	379,018,851
Acquisition of assets	26,332,618
Disposals and amortization	(22,130)
Depreciation	(13,533,727)
Book value, end of period	391,795,612

**14. LEASE DEPOSIT ON LAND**

On 25 March 2016, the Company on land entered into 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

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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 25.36 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. 6/2018 has considered with the legal advisor and conclude that since the company still maintain their intention to invest in the project, therefore appointed the Executive Committee to negotiate with counterparty and wxtend the contract for the period of 1 year to be ended 31 December 2019. The Counterparty has agreed upon the extension period without further conditions and signed by return and acknowledge by the Board of Director's Meeting No.7/2018.

**15. INTANGIBLE ASSETS - SOFTWARE**

	In Baht
For the three - month period ended 31 March 2019	
Book value, beginning of period	8,843,088
Acquisition of assets	207,600
Amortization	(247,438)
Book value, end of period	<u>8,803,250</u>

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

As at 31 March 2019 and 31 December 2018, the Company has the overdrafts and short - term loans facilities amounted to Baht 473 million. The facilities charge an interest at the rate of MOR per annum.

**17. TRADE AND OTHER PAYABLES**

	In Baht	
	31 March 2019	31 December 2018
Trade payables	23,513,164	34,986,245
Accrued expenses	29,717,395	34,260,915
Others payables	386,999	1,327,402
Total	<u>53,617,558</u>	<u>70,574,562</u>

**18. LIABILITIES UNDER FINANCE LEASE AGREEMENTS**

In Baht

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	31 March 2019	31 December 2018
Liabilities under finance lease agreements	5,139,242	2,940,390
<u>Less</u> Deferred interest and input vat	(585,783)	(292,870)
Current portion of liabilities under finance lease agreements	(1,511,110)	(960,462)
Net	<u>3,042,349</u>	<u>1,687,058</u>

**19. EMPLOYEE BENEFIT OBLIGATIONS**

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:

	<u>In Baht</u>
For the three - month period ended 31 March 2019	
Defined benefit obligations at 1 January 2019	49,643,277
Current service costs and interest	1,154,961
Employee benefit paid	(587,100)
<b>Defined benefit obligations at 31 March 2019</b>	<u>50,211,138</u>

**20. 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 the 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 periods ended 31 March 2019 and 2018, the Company has export sales and domestic sales are as follows:

	<u>Baht</u>	
	<u>2019</u>	<u>2018</u>
Export sales	263,097,317	267,291,302
Domestic sales	9,969,868	3,777,092
<b>Total</b>	<u>273,067,185</u>	<u>271,068,394</u>

**21. INCOME TAX**

Income tax expenses for the three - month periods ended 31 March 2019 and 2018 are made up as follows:

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	In Baht	
	2019	2018
<b>Current income tax</b>		
Interim corporate income tax charge	-	5,003,460
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	104,306	(243,451)
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>104,306</u>	<u>4,760,009</u>

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

	In Baht	
	31 March 2019	31 December 2018
<b>Statements of financial position</b>		
Increase in deferred tax assets		
Allowance for doubtful accounts	160,979	160,979
Allowance for diminution of inventories	668,920	859,895
Provisions for employee benefit obligations	10,042,228	9,928,655
Increase in deferred tax liability		
Premium on revaluation of trading investments	(47,982)	(21,078)
	<u>10,824,145</u>	<u>10,928,451</u>

## 22. FAIR VALUE OF FIANCIAL 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 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 31 March 2019 and 31 December 2018, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

	(Unit : Baht)			
	31 March 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				

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Held for trade investments				
Unit Trust	-	40,239,903	-	40,239,903
<b>Assets for which fair value are disclosed</b>				
Investment property	-	90,605,550	-	90,605,550
				(Unit : Baht)
		31 December 2018		
	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>				
Held for trade investments				
Unit Trust	-	40,105,389	-	40,105,389
<b>Assets for which fair value are disclosed</b>				
Investment property	-	90,605,550	-	90,605,550

**23. 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 March 2019, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 23.81 million in exchange of Baht 768.04 million with 4 commercial banks. The contract will be due in December 2019. Per comparative between fair value and contract value, the gain amounting Baht 14.65 million is incurred.

**24. COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 March 2019

- 24.1** The Company has commitments for software license and system consulting agreement amounting of Baht 1.0 million.
- 24.2** The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 0.3 million.
- 24.3** The Company has contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 10.1 million.
- 24.4** The Company has capital expenditure in respect of the repairing of the plant amounting of Baht 13.58 Million.

**25. EVENTS AFTER THE REPORTING PERIOD**

**25.1 Amendments to the law relating to the legal severance pay rates**

On 5 April 2019, The Labor Protection Act (No.7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post - employment benefits plan amendment and the Company has additional long-

term employee benefit liabilities of Baht 10.6 million as a result. The Company will reflect the effect of the change by recognising past service costs as expenses in the income statement of the period in which the law is effective, which is the second quarter of 2019.

**25.2 Approval dividend payment**

The Ordinary General Meeting of Shareholders for the year 2019 held on 24 April 2019, passed a resolution to approve a dividend payment at Baht 0.21 per share from the 2018 operating results. In this regard, the Company already paid an interim dividend at Baht 0.10 per share, totaling Baht 38.11 million, during the year 2018 to the shareholders, therefore the remaining dividend payable will be Baht 0.11 per share, or totaling Baht 41.9 million. Such dividend the payment have been paid on 9 May 2019.

**26. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved by the Company's Board of Directors on 13 May 2019.