

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE - MONTH AND SIX - MONTH PERIODS ENDED 30 JUNE 2017 (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 2016) 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 2016. 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 2016.

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

During the period, the Company has adopted the revised financial reporting standards and interpretations (revised 2016) and new accounting treatment guidance 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 adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements.

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 2016. The accounting policies disclosed additional for Investments.

Investments

Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded in profit or loss.

Investments in available - for - sale securities are stated at fair value. Changes in the fair value of these securities are recorded in other comprehensive income, and will be recorded in profit or loss when the securities are sold.

Investments in non - marketable equity securities, which the Company classifies as other investments, are stated at cost net of allowance for impairment loss (if any).

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The fair value of marketable securities is based on the latest bid price of the last working day of the year. The fair value of debt instruments is determined based on yield rates quoted by the Thai Bond Market Association [or yield rate of government bond adjusted by an appropriate risk factor, as the case may be]. The fair value of unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments.

In the event the Company reclassifies investments from one type to another, such investments will be readjusted to their fair value as at the reclassification date. The difference between the carrying amount of the investments and the fair value on the date of reclassification are recorded in profit or loss or recorded as other components of shareholders' equity, depending on the type of investment that is reclassified.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

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

5.2 Revenue and expenses among the Company and related companies

Revenue and expenses among the Company, subsidiary and related companies for the three - month periods ended 30 June 2017 and 2016 are as follows:

	<u>In Baht</u>	
	<u>2017</u>	<u>2016</u>
Other income		
Related company	22,500	22,500
Directors and management's benefits		
Short - term employee benefits	6,919,663	6,729,778
Post - employment benefits	202,531	202,531
Total	<u>7,122,194</u>	<u>6,932,309</u>

Revenue and expenses among the Company, subsidiary and related companies for the six - month periods ended 30 June 2017 and 2016 are as follows:

In Baht

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	2017	2016
Other income		
Related company	45,000	45,000
Directors and management's benefits		
Short - term employee benefits	13,839,326	13,519,024
Post - employment benefits	405,062	405,062
Total	14,244,388	13,924,086

6. SHORT - TERM INVESTMENTS

	In Baht	
	30 June 2017	31 December 2016
Fixed deposits	250,000,000	200,000,000
Trading investment - Fund	149,998,500	150,681,734
Total	399,998,500	350,681,734

The movement in short - term investments for the six - month period ended 30 June 2017 can be analysed as follow:

	In Baht
Opening balance	150,681,734
Additions	200,000,000
Disposal	(200,683,234)
Gain on change in fair value	-
Ending balance	149,998,500

7. TRADE AND OTHER RECEIVABLES

	In Baht	
	30 June 2017	31 December 2016
Trade receivable	108,501,738	66,298,480
Value added tax receivable	6,592,147	1,784,858
Interest receivable	748,082	183,562
Advance payment	3,769,893	756,466
Other receivables	708,097	938,848
Total	120,319,957	69,962,214

The aging of outstanding balance as at 30 June 2017 and 31 December 2016 are as follows:

In Baht

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	30 June 2017	31 December 2016
Trade receivable		
Within credit terms	104,332,721	62,823,858
Overdue		
Less than 3 months	4,169,017	1,456,334
3 - 6 months	-	2,018,288
Total Trade receivable - other companies net	<u>108,501,738</u>	<u>66,298,480</u>

8. ACCOUNTS RECEIVABLE - PLANTERS

	In Baht	
	30 June 2017	31 December 2016
Accounts receivable - planters	35,786,848	48,902,397
<u>Less</u> Allowance for doubtful accounts	(621,897)	(621,897)
Net	<u>35,164,951</u>	<u>48,280,500</u>

9. INVENTORIES

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Finished goods and semi - finished products	365,609,898	300,382,012	(6,662,356)	(5,230,095)	358,947,542	295,151,917
Raw material and Supplies	28,001,461	27,399,460	(648,959)	(1,954,982)	27,352,502	25,444,478
Seeds, insecticide Fertilizer	41,318,362	24,479,440	(10,380)	(10,380)	41,307,982	24,469,060
Total	<u>434,929,721</u>	<u>352,260,912</u>	<u>(7,321,695)</u>	<u>(7,195,457)</u>	<u>427,608,026</u>	<u>345,065,455</u>

During the period, the company reduced cost of inventories Baht 0.1 million to reflect the net realizable value. This was included in cost of sales.

10. INVESTMENT IN RELATED COMPANY

As at 30 June 2017

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

According to the Board of Director 3/2017, on 12 May 2017, the Company invested in the ordinary shares of Sino - Thai Freeze Dry Co., Ltd., ("STFD") in 15 percentage of total registration ordinary shares.

11. INVESTMENT PROPERTIES

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Investment properties of the Company as at 30 June 2017 and 31 December 2016 represent the book value of the Company's plot of land which held for nonspecific purpose.

As at 30 June 2017 and 31 December 2016, 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

12. PROPERTY, PLANT AND EQUIPMENT

	<u>In Baht</u>
For the six - month period ended 30 June 2017	
Book value, beginning of period	330,294,513
Acquisition of assets	48,934,633
Disposals and amortization	(61,254)
Depreciation	<u>(21,479,872)</u>
Book value, end of period	<u>357,688,020</u>

13. 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.

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.

14. INTANGIBLE ASSETS - SOFTWARE

	<u>In Baht</u>
For the six - month period ended 30 June 2017	
Book value, beginning of period	8,556,610
Acquisition of assets	290,400
Amortization	<u>(242,009)</u>
Book value, end of period	<u>8,605,001</u>

15. BANK OVERDRAFTS AND SHORT - TERM LOANS

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As at 30 June 2017, the Company has the overdrafts and short - term loans lines amounted to Baht 406 million (31 December 2016: Baht 406 million). The facilities charge an interest at the rate of MOR per annum.

16. TRADE AND OTHER PAYABLES

	In Baht	
	30 June 2017	31 December 2016
Trade payables	55,142,695	29,348,671
Accrued expenses	29,443,012	43,180,334
Others	566,209	2,356,603
Total	<u>85,151,916</u>	<u>74,885,608</u>

17. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht	
	31 June 2017	31 December 2016
Liabilities under finance lease agreements	4,613,382	-
<u>Less</u> Deferred interest and Input vat	(638,573)	-
Current portion of liabilities under finance lease agreements	<u>(801,414)</u>	-
Net	<u>3,173,395</u>	<u>-</u>

18. 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:

	In Baht
For the six - month period ended 30 June 2017	
Defined benefit obligations at 1 January 2017	44,907,938
Current service costs and interest	2,538,028
Employee benefit paid	<u>(1,468,400)</u>
Defined benefit obligations at 30 June 2017	<u>45,977,566</u>

19. DIVIDEND PAID

At the ordinary shareholders' meeting of year 2017 dated on 27 April 2017, the shareholders approved the payment of dividends at Baht 0.35 per share for 381,145,725 shares totaling Baht 133.4 million out of operating of the year 2016 and the Company has already paid for such dividends on 12 May 2017.

At the ordinary shareholders' meeting of year 2016 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.

20. SEGMENT INFORMATION

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Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The 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 and six - month periods ended 30 June 2017, export sales of the Company was 98% of total sales (2016 : 99% of total sales)

21. INCOME TAX

Income tax for the three - month periods ended 30 June 2017 and 2016 are made up as follows:

	In Baht	
	2017	2016
Current income tax		
Interim corporate income tax charge	14,424,268	17,444,496
Deferred tax:		
Relating to origination and reversal of temporary differences	(351,833)	(467,043)
Income tax expense reported in the statements of comprehensive income	<u>14,072,435</u>	<u>16,977,453</u>

Income tax for the six - month periods ended 30 June 2017 and 2016 are made up as follows:

	In Baht	
	2017	2016
Current income tax		
Interim corporate income tax charge	26,197,840	25,361,547
Deferred tax:		
Relating to origination and reversal of temporary differences	(375,820)	(2,277,967)
Income tax expense reported in the statements of comprehensive income	<u>25,822,020</u>	<u>23,083,580</u>

	In Baht	
	30 June 2017	31 December 2016
Statements of financial position		
Increase in deferred tax assets		
Allowance for doubtful accounts	124,379	124,379
Allowance for diminution of inventories	1,464,639	1,439,091
Provisions for employee benefit obligations	9,195,514	8,981,588
Increase in deferred tax liabilities		
Premium on revaluation of trading investments	-	(136,346)

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10,784,532 10,408,712

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

22. 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 June 2017, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>(Unit : Baht)</u> <u>Total</u>
Assets measured at fair value				
Held for trade investments				
Unit Trust	-	149,998,500	-	149,998,500
Assets for which fair value are disclosed				
Investment property	-	-	76,258,000	76,258,000

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 30 June 2017, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 20.21 million in exchange of Baht 704.05 million with 3 commercial banks. The contract will be due in December 2017. Per comparative between fair value and contract value, the gain amounting Baht 17.31 million is incurred.

24. COMMITMENT AND CONTINGENT LIABILITIES

As at 30 June 2017

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

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- 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 11.0 million.

25. EVENTS AFTER THE REPORTING PERIOD

On 11 August 2017, the Company's Board of Directors meeting approved for payment of interim dividend of Baht 0.14 per share for 381,145,725 shares, or a total of approximately Baht 53.4 million, from the operating results for the six-month period ended 30 June 2017. Such dividend the payment have been paid on 8 September 2017.

26. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of Directors on 11 August 2017.