

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE - MONTH AND NINE - MONTH PERIODS ENDED 30 SEPTEMBER 2017**  
**(UNAUDITED)**

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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 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 (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 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.

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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).

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 and related companies for the three - month periods ended 30 September 2017 and 2016 are as follows:

	<u>In Baht</u>	
	<u>2017</u>	<u>2016</u>
<b>Other income</b>		
Related company	22,500	22,500
<b>Directors and management's benefits</b>		
Short - term employee benefits	7,844,041	7,258,220
Post - employment benefits	236,542	202,531
Total	<u>8,080,583</u>	<u>7,460,751</u>

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Revenue and expenses among the Company and related companies for the nine - month periods ended 30 September 2017 and 2016 are as follows:

	In Baht	
	2017	2016
<b>Other income</b>		
Related company	67,500	67,500
<b>Directors and management's benefits</b>		
Short - term employee benefits	21,683,368	20,777,244
Post - employment benefits	641,604	607,592
Total	<u>22,324,972</u>	<u>21,384,836</u>

**6. SHORT - TERM INVESTMENTS**

	In Baht	
	30 September 2017	31 December 2016
Fixed deposits	200,000,000	200,000,000
Trading investment - Fund	150,007,604	150,681,734
Total	<u>350,007,604</u>	<u>350,681,734</u>

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

	In Baht
Opening balance	150,681,734
Additions	250,000,000
Disposal	(250,681,734)
Gain on change in fair value	7,604
Ending balance	<u>150,007,604</u>

**7. TRADE AND OTHER RECEIVABLES**

	In Baht	
	30 September 2017	31 December 2016
Trade receivable	119,866,874	66,298,480
Value added tax receivable	6,211,675	1,784,858
Interest receivable	590,342	183,562
Advance payment	3,029,345	756,466
Other receivables	492,367	938,848
Total	<u>130,190,603</u>	<u>69,962,214</u>

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

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	In Baht	
	30 September 2017	31 December 2016
Trade receivable		
Within credit terms	93,017,021	62,823,858
Overdue		
Less than 3 months	26,849,853	1,456,334
3 - 6 months	-	2,018,288
Total Trade receivable - other companies net	<u>119,866,874</u>	<u>66,298,480</u>

**8. ACCOUNTS RECEIVABLE - PLANTERS**

	In Baht	
	30 September 2017	31 December 2016
Accounts receivable - planters	25,509,100	48,902,397
<u>Less</u> Allowance for doubtful accounts	(623,437)	(621,897)
Net	<u>24,885,663</u>	<u>48,280,500</u>

**9. INVENTORIES**

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Finished goods and semi - finished products	438,360,709	300,382,012	(5,704,413)	(5,230,095)	432,656,296	295,151,917
Raw material and Supplies	25,136,346	27,399,460	(413,804)	(1,954,982)	24,704,542	25,444,478
Seeds, insecticide Fertilizer	27,900,538	24,479,440	(10,380)	(10,380)	27,890,158	24,469,060
Total	<u>491,397,593</u>	<u>352,260,912</u>	<u>(6,146,597)</u>	<u>(7,195,457)</u>	<u>485,250,996</u>	<u>345,065,455</u>

During the period, the company reversal reduced cost of inventories Baht 1.0 million to reflect the net realizable value. This was included in cost of sales.

**10. INVESTMENT IN RELATED COMPANY**

As at 30 September 2017

	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	<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.

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**11. INVESTMENT PROPERTIES**

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

As at 30 September 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 nine - month period ended 30 September 2017	
Book value, beginning of period	330,294,513
Acquisition of assets	55,697,464
Disposals and amortization	(61,262)
Depreciation	<u>(33,274,080)</u>
Book value, end of period	<u><u>352,656,635</u></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 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. 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 nine - month period ended 30 September 2017	
Book value, beginning of period	8,556,610
Acquisition of assets	508,200
Amortization	<u>(367,066)</u>
Book value, end of period	<u><u>8,697,744</u></u>

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

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As at 30 September 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 September 2017	31 December 2016
Trade payables	27,532,448	29,348,671
Accrued expenses	34,846,550	43,180,334
Others	454,968	2,356,603
Total	62,833,966	74,885,608

**17. LIABILITIES UNDER FINANCE LEASE AGREEMENTS**

	In Baht	
	30 September 2017	31 December 2016
Liabilities under finance lease agreements	4,334,550	-
<u>Less</u> Deferred interest and Input vat	(574,003)	-
Current portion of liabilities under finance lease agreements	(817,435)	-
Net	2,943,112	-

**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 nine - month period ended 30 September 2017	
Defined benefit obligations at 1 January 2017	44,907,938
Current service costs and interest	3,754,849
Employee benefit paid	(1,756,400)
Defined benefit obligations at 30 September 2017	46,906,387

**19. DIVIDEND PAID**

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<b>Dividend</b>	<b>Approved by</b>	<b>Number of ordinary shares (Shares)</b>	<b>Dividend per share (Baht per share)</b>	<b>Dividend (Million Baht)</b>	<b>Date of payment</b>
Interim dividend paid from operating results for the six-month periods ended 30 June 2017	At the Company's Board of Directors meeting dated 11 August 2017	381 Million	0.14	53.36	September 2017
Interim dividend paid from the operating results year 2016	At the ordinary shareholders' meeting dated 27 April 2017	381 Million	0.35	133.40	May 2017
Total dividends paid year 2017				<u>186.76</u>	
Interim dividend paid from the operating results year 2015	At the ordinary shareholders' meeting dated 26 April 2016	381 Million	0.20	<u>76.23</u>	May 2016

**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 and nine - month periods ended 30 September 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 September 2017 and 2016 are made up as follows:

	<b>In Baht</b>	
	<b>2017</b>	<b>2016</b>
<b>Current income tax</b>		
Interim corporate income tax charge	12,087,159	16,367,768
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	<u>50,768</u>	<u>(504,468)</u>
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>12,137,927</u>	<u>15,863,300</u>

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

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	In Baht	
	2017	2016
<b>Current income tax</b>		
Interim corporate income tax charge	38,284,999	41,729,316
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	(325,052)	(2,782,436)
<b>Income tax expense reported in the statements of comprehensive income</b>	<u>37,959,947</u>	<u>38,946,880</u>

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

	In Baht	
	30 September 2017	31 December 2016
<b>Statements of financial position</b>		
Increase in deferred tax assets		
Allowance for doubtful accounts	124,687	124,379
Allowance for diminution of inventories	1,229,320	1,439,091
Provisions for employee benefit obligations	9,381,277	8,981,588
Increase in deferred tax liabilities		
Premium on revaluation of trading investments	(1,520)	(136,346)
	<u>10,733,764</u>	<u>10,408,712</u>

## 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 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

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As at 30 September 2017, 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	-	150,007,604	-	150,007,604
<b>Assets for which fair value are disclosed</b>				
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 September 2017, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 25.54 million in exchange of Baht 863.7 million with 4 commercial banks. The contract will be due in December 2017. Per comparative between fair value and contract value, the gain amounting Baht 13.93 million is incurred.

**24. COMMITMENT AND CONTINGENT LIABILITIES**

As at 30 September 2017

- 24.1 The Company has commitments for software license and system consulting agreement amounting of Baht 0.5 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 11.0 million.

**25. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved by the Company's Board of Directors on 10 November 2017.