

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 financial statements are prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“TFAC”); 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 below.

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

3.1 Financial reporting standards that became effective in the current year

During the year, the Company has adopted the revised (revised 2017) 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 2018. 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.

3.2 Financial reporting standards that will become effective for fiscal years beginning on or after 1 January 2019

During the current year, the Federation of Accounting Professions issued a number of revised and new financial reporting standards and interpretations (revised 2018) including new accounting treatment guidance, which are effective for fiscal years 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 management of the Company believe that the revised financial reporting standards will not have any significant impact on the financial statements when they are initially applied. However, the new standard involves changes to key principles, as summarised below.

IFRS 15 Revenue from Contracts with Customers

IFRS 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.

The management of the Company believe that this standard will not have any significant impact on the financial statements when it is initially applied.

3.3 Financial reporting standards related to financial instruments that will become effective for fiscal years beginning on or after 1 January 2020

During the current year, the Federation of Accounting Professions issued the set of IFRSs related to financial instruments consists of five accounting standards and interpretations, as follows:

Financial reporting standards:

IFRS 7 Financial Instruments: Disclosures

IFRS 9 Financial Instruments

Accounting standard:

TAS 32 Financial Instruments: Presentation

Financial Reporting Standard Interpretations:

TFRIC 16 Hedges of a Net Investment in a Foreign Operation

TFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

These IFRSs 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 IFRSs 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.

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 Accounts receivable

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

4.3 Allowance for doubtful accounts

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.

4.4 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.

4.5 Investments

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.

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 weight average method is used for computation of the cost of investments.

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

4.6 Investment properties

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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.

4.7 Property, plant and equipment

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>
Building and Improvement	10 - 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.

4.8 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 - ten (5 - 10) years.

4.9 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.

4.10 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.

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

4.12 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 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.

4.13 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 expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

4.14 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.

4.15 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 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.

4.16 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.

4.17 Financial instruments

Financial assets carried on the statements of financial position include cash and cash equivalents, fixed deposit, trade and other receivable. 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.

4.18 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 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 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 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.

4.19 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/Intangible assets

In determining depreciation of plant, equipment and intangible assets, 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

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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.

4.20 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, 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

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

5.2 Revenue and expenses among the Company and related companies

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Revenue and expenses among the Company and related companies for the years then ended 31 December 2018 and 2017 are as follows:

	In Baht	
	2018	2017
Other income		
Related companies	429,119	90,000
Directors and management's benefits		
Short - term employee benefits	33,064,766	35,073,996
Post - employment benefits	800,355	870,310
Total	<u>33,865,121</u>	<u>35,944,306</u>

6. CASH AND CASH EQUIVALENTS

	In Baht	
	2018	2017
Cash	750,149	146,900
Current deposits	-	20,000
Saving deposits	121,596,533	126,576,776
Total	<u>122,346,682</u>	<u>126,743,676</u>

The weighted average effective interest rates of deposits at financial institutions were 0.2% to 0.625% per annum (2017 : 0.2% to 0.625% per annum).

7. SHORT - TERM INVESTMENTS

	In Baht	
	2018	2017
Fixed deposits	150,002,000	250,000,000
Trading investment - Fund	40,105,389	180,199,999
Total	<u>190,107,389</u>	<u>430,199,999</u>

The movement in trading investment - fund for the years then ended 31 December 2018 and 2017 can be analysed as follow:

	In Baht	
	2018	2017
Opening balance	180,199,999	150,681,734
Additions	200,353,923	280,000,000
Disposal	(340,651,704)	(250,681,734)
Gain on sales of investment	203,171	199,999
Ending balance	<u>40,105,389</u>	<u>180,199,999</u>

8. TRADE AND OTHER RECEIVABLES

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	In Baht	
	2018	2017
Trade receivable	105,133,431	73,587,010
Value added tax receivable	2,413,801	3,834,041
Accrued interest receivable	72,881	918,356
Advance payment	1,299,429	1,019,732
Advance payment for seed	30,120,656	-
Other receivables	440,726	1,213,025
Total	139,480,924	80,572,164

The aging of outstanding balance as at 31 December 2018 and 2017 are as follows:

	In Baht	
	2018	2017
Trade receivable		
Within credit terms	70,152,589	59,619,904
Overdue :		
Less than 3 months	34,980,842	13,967,106
Total Trade receivable	105,133,431	73,587,010

9. ACCOUNTS RECEIVABLE - PLANTERS

	In Baht	
	2018	2017
Accounts receivable - planters	8,864,224	44,341,686
Less Allowance for doubtful accounts	(804,895)	(657,551)
Net	8,059,329	43,684,135

10. INVENTORIES

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2018	2017	2018	2017	2018	2017
Finished goods and semi - finished products	555,594,271	398,518,008	(4,188,313)	(6,856,341)	551,405,958	391,661,667
Raw material and Supplies	33,738,950	23,022,892	(96,282)	(302,511)	33,642,668	22,720,381
Seeds, insecticide, Fertilizer	28,140,957	19,182,911	(14,880)	(10,380)	28,126,077	19,172,531
Total	617,474,178	440,723,811	(4,299,475)	(7,169,232)	613,174,703	433,554,579

In 2018 and 2017 the Company reversed the write - down of cost of inventories by Baht 2.87 million and Baht 0.002 million , respectively. and reduced the amount of inventories recognised as expenses during the year

11. INVESTMENT IN RELATED COMPANY

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As at 31 December 2018

	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.

12. INVESTMENT PROPERTY

Investment properties of the Company as at 31 December 2018 and 2017 represent the book value of the Company’s plot of land which held for nonspecific purpose.

As at 31 December 2018 and 2017, the fair value of the investment property has been determined based on Market Approach performed by an accredited independent value is amounting to Baht 90.61 million and Baht 76.3 million, respectively.

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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 2017							
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 value	<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>
Transaction during the year ended 31 December 2017							
Opening net book value	82,057,372	84,765,248	93,483,633	4,925,146	2,874,540	62,188,574	330,294,513
<u>Add</u> Acquisition	-	4,324,575	9,461,645	9,262,500	1,972,705	41,935,080	66,956,505
Transfer in (out)	-	61,559,448	35,986,975	-	79,923	(98,699,153)	(1,072,807)
<u>Less</u> Disposals and amortization	-	(7,928)	(53,278)	(3)	(53)	-	(61,262)
Depreciation	-	(14,533,709)	(25,342,252)	(2,421,033)	(1,098,240)	-	(43,395,234)
Closing net book value	<u>82,057,372</u>	<u>136,107,634</u>	<u>113,536,723</u>	<u>11,766,610</u>	<u>3,828,875</u>	<u>5,424,501</u>	<u>352,721,715</u>
As at 31 December 2017							
Cost	88,365,073	489,380,696	793,570,761	41,615,354	23,503,326	5,424,501	1,441,859,711
<u>Less</u> Accumulated depreciation	(6,307,701)	(352,605,670)	(679,887,018)	(29,848,744)	(19,674,451)	-	(1,088,323,584)
Allowance for impairment	-	(667,392)	(147,020)	-	-	-	(814,412)
Net book value	<u>82,057,372</u>	<u>136,107,634</u>	<u>113,536,723</u>	<u>11,766,610</u>	<u>3,828,875</u>	<u>5,424,501</u>	<u>352,721,715</u>

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

	In Baht						Total
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
Transaction during the year ended 31 December 2018							
Opening net book value	82,057,372	136,107,634	113,536,723	11,766,610	3,828,875	5,424,501	352,721,715
<u>Add</u> Acquisition	-	2,467,496	15,978,135	-	1,231,650	49,742,114	69,419,395
Transfer in (out)	-	9,889,650	16,800,600	-	910,453	(27,643,104)	(42,401)
<u>Less</u> Disposals and amortization	-	(96,600)	(35,138)	-	(14,383)	-	(146,121)
Depreciation	-	(15,078,733)	(24,432,064)	(2,085,593)	(1,337,347)	-	(42,933,737)
Closing net book value	<u>82,057,372</u>	<u>133,289,447</u>	<u>121,848,256</u>	<u>9,681,017</u>	<u>4,619,248</u>	<u>27,523,511</u>	<u>379,018,851</u>
As at 31 December 2018							
Cost	88,365,073	500,915,523	810,072,790	34,070,354	24,370,687	27,523,511	1,485,317,938
<u>Less</u> Accumulated depreciation	(6,307,701)	(367,029,119)	(688,224,499)	(24,389,337)	(19,751,439)	-	(1,105,702,095)
Allowance for impairment	-	(596,957)	(35)	-	-	-	(596,992)
Net book value	<u>82,057,372</u>	<u>133,289,447</u>	<u>121,848,256</u>	<u>9,681,017</u>	<u>4,619,248</u>	<u>27,523,511</u>	<u>379,018,851</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. 6/2018 have 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		
	Software	Software in progress	Total
As at 1 January 2017			
Cost	5,767,643	5,022,987	10,790,630
Accumulated amortization	<u>(2,234,020)</u>	-	<u>(2,234,020)</u>
Net book value	<u>3,533,623</u>	<u>5,022,987</u>	<u>8,556,610</u>
Transactions during the year ended 31 December 2017			
Opening net book value	3,533,623	5,022,987	8,556,610
Add : Acquisition	804,000	594,000	1,398,000
Transfer in (transfer out)	1,981,610	(1,981,610)	-
Less : Amortization	<u>(429,006)</u>	-	<u>(429,006)</u>
Closing net book value	<u>5,890,227</u>	<u>3,635,377</u>	<u>9,525,604</u>
As at 31 December 2017			
Cost	8,553,252	3,635,377	12,188,629
Accumulated amortization	<u>(2,663,025)</u>	-	<u>(2,663,025)</u>
Net book value	<u>5,890,227</u>	<u>3,635,377</u>	<u>9,525,604</u>

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	In Baht		
	Software	Software in progress	Total
Transactions during the year ended 31 December 2018			
Opening net book value	5,890,227	3,635,377	9,525,604
<u>Add</u> : Acquisition	3,700	85,000	88,700
Transfer in (transfer out)	1,594,798	(1,594,798)	-
<u>Less</u> : Amortization	(771,216)	-	(771,216)
Closing net book value	<u>6,717,509</u>	<u>2,125,579</u>	<u>8,843,088</u>
As at 31 December 2018			
Cost	10,151,750	2,125,579	12,277,329
Accumulated amortization	<u>(3,434,241)</u>	-	<u>(3,434,241)</u>
Net book value	<u>6,717,509</u>	<u>2,125,579</u>	<u>8,843,088</u>

16. BANK OVERDRAFTS AND SHORT - TERM LOANS

As at 31 December 2018 and 2017, The Company has the overdrafts and short - term loans lines amounted to Baht 473 million. The facilities charge an interest at the rate of MOR per annum.

17. TRADE AND OTHER PAYABLES

	In Baht	
	2018	2017
Trade payables	34,986,245	26,512,889
Accrued expenses	34,260,915	38,177,087
Others payables	1,327,402	1,965,784
Total	<u>70,574,562</u>	<u>66,655,760</u>

18. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht	
	2018	2017
Liabilities under finance lease agreements	2,940,390	4,055,718
<u>Less</u> Deferred interest and input vat	(292,870)	(510,870)
Current portion of liabilities under finance lease agreements	<u>(960,462)</u>	<u>(835,723)</u>
Net	<u>1,687,058</u>	<u>2,709,125</u>

The Company has entered into the finance lease agreements with leasing companies for lease of vehicles for use in their operations, whereby they are committed to pay rental on a monthly basis. The term of the agreements is generally 4 - 5 years.

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As at 31 December 2018, future minimum lease payments required under the finance lease agreements were as follows:

	In Million Baht		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	1.12	1.82	2.94
Deferred interest expenses	(0.16)	(0.13)	(0.29)
Present value of future minimum lease payments	<u>0.96</u>	<u>1.69</u>	<u>2.65</u>

As at 31 December 2017, future minimum lease payments required under the finance lease agreements were as follows:

	In Million Baht		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	1.12	2.94	4.06
Deferred interest expenses	(0.28)	(0.24)	(0.52)
Present value of future minimum lease payments	<u>0.84</u>	<u>2.70</u>	<u>3.54</u>

19. 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	
	2018	2017
For the year ended 31 December		
Defined benefit obligations at 1 January	46,228,984	44,907,938
Included in profit or loss:		
Interest on obligation	1,457,885	2,837,737
Current service costs	2,861,945	2,029,634
Actuarial gains (losses)		
Financial assumptions changes	1,609,413	2,639,730
Demographic assumptions changes	1,954,028	(6,219,271)
Experience adjustments	(794,978)	2,268,116
Benefit paid for the year	<u>(3,674,000)</u>	<u>(2,234,900)</u>
Defined benefit obligations at 31 December	<u>49,643,277</u>	<u>46,228,984</u>

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

	In Baht	
	2018	2017
Costs of sales	3,427,521	3,862,452
Sales expenses	113,623	128,026
Administrative expenses	778,686	876,893
Total	4,319,830	4,867,371

The Company expect to pay Baht 12.72 million of long - term employee benefits during the next year (2017: Baht 4.01 million).

As at 31 December 2018, the weighted average duration of the liabilities for long - term employee benefit is 9 years (2017: 14 years).

Principal actuarial assumptions at the reporting date

	2018	2017
Discount rate	2.50% per annum	2.78 - 3.14% per annum
Salary increase rate	2%	1.08 - 3.81%
Employee turnover rate	Scale related to Age ranging from 4.58 - 34.38%	Scale related to Age ranging from 0 - 48%
Mortality rate	According to Thailand TMO 2017 male and female tables	According to Thailand TMO 2008 male and female 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	
	2018	
	Increase	Decrease
Defined benefit obligation at 31 December		
Discount rate (1% movement)	(2.86)	3.24
Salary Increase Rate (1% movement)	3.22	(2.90)
Turnover Rate (20% movement)	(3.06)	3.49
	In Million Baht	
	2017	
	Increase	Decrease
Defined benefit obligation at 31 December		
Discount rate (0.5 % movement)	(1.74)	1.86
Salary Increase Rate (0.5% movement)	1.86	(1.76)
Turnover Rate (0.5% movement)	(0.91)	0.98

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.

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On 13 December 2018, The National Legislative Assembly passed a resolution approving the draft of a new Labour Protection Act, which is in the process being published in the Royal Gazette. The new Labour Protection Act stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more. Such employees are entitled to receive compensation of not less than that of the last 400 days, based on the final wage rate. This change is considered a post-employment benefits plan amendment and the Company have additional liabilities for long-term employee benefits of Baht 10.6 million. The Company will reflect the effect of the change by recognising past services costs as expenses in the income statement of the period in which the law is effective

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

Dividend	Approved by	Number of ordinary shares (Million Shares)	Dividend per share (Baht per share)	Dividend (Million Baht)	Date of payment
Interim dividend paid from operating results for the six - month periods ended 30 June 2018	At the Company's Board of Directors meeting dated 8 October 2018	381	0.10	38.11	November 2018
Interim dividend paid from the operating results year 2017	At the ordinary shareholders' meeting dated 27 April 2018	381	0.20	76.23	May 2018
	Total dividends paid year 2018			<u>114.34</u>	
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	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	0.35	133.40	May 2017
	Total dividends paid year 2017			<u>186.76</u>	

22. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	In Baht	
	2018	2017
Changes in finished goods, semi - finished products and raw materials	(157,309,096)	(98,430,150)
Purchase raw materials	556,039,828	530,733,697
Depreciation and amortization	43,704,953	43,824,241
Staff costs	280,063,306	289,722,763

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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 years ended 31 December 2018 and 2017, the Company has export sales and domestic sales are as follows:

	Baht	
	2018	2017
Export sales	1,238,316,099	1,322,706,758
Domestic sales	27,192,541	35,184,364
Total	1,265,508,640	1,357,891,122

Major customers

For the year 2018, the Company has revenue from 3 major customers, representing 74% of total revenue, arising from manufacturing and distribution of frozen vegetables (2017: 82% of total revenue was derived from 4 major customers).

24. PROVIDENT FUND

The Company established a contributory registered provident fund in accordance with the Provident fund Act B.E.2530 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 2018 and 2017 amounted to Baht 2.0 million and Baht 1.7 million, respectively.

25. INCOME TAX

Income tax for the years ended 31 December 2018 and 2017 are made up as follows:

	In Baht	
	2018	2017
Income tax recognized in profit or loss		
Current income tax		
Current year	21,317,702	38,068,668
Deferred tax		
Relating to origination and reversal of temporary differences	396,395	(624,727)
Total	21,714,097	37,443,941
Income tax recognised in other comprehensive income		
Actuarial gain (losses)	553,693	(262,285)

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	In Baht	
	2018	2017
Accounting profit before corporate income tax	119,195,704	197,850,126
Applicable tax rate (%)	20	20
Income tax using the Thai corporation tax rate	23,839,141	39,570,025
Incoming not subject to tax	(21,078)	(40,000)
Addition expenses deductible for tax purposes	(3,061,588)	(2,757,121)
Expenses not deductible for tax purposes	561,227	1,295,764
Current tax	21,317,702	38,068,668
Relating to origination and reversal of temporary differences	396,395	(624,727)
Income tax expense	21,714,097	37,443,941

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

	In Baht	
	2018	2017
Statements of financial position		
Increase in deferred tax assets		
Allowance for doubtful accounts	160,979	131,510
Allowance for diminution of inventories	859,895	1,433,846
Provisions for employee benefit obligations	9,928,655	9,245,798
Increase in deferred tax liabilities		
Unrealize gain on trading investments	(21,078)	(40,000)
	10,928,451	10,771,154

26. FAIR VALUE OF FIANCIAL INSTRUMENTS

As at 31 December 2018 and 2017, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

	(Unit : Baht)			
	2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Held for trade investments				
Unit Trust	-	40,105,389	-	40,105,389
Assets for which fair value are disclosed				
Investment property	-	90,605,550	-	90,605,550
				(Unit : Baht)
	2017			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Held for trade investments				
Unit Trust	-	180,199,99	-	180,199,99
Unit Trust	-	9	-	9
Assets for which fair value are disclosed				
Investment property	-	76,258,000	-	76,258,000

27. FINANCIAL INSTRUMENTS

27.1 Credit risk

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 2018, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 26.9 million in exchange of Baht 870.1 million with 4 commercial banks. The contract will be due within 6 - 12 months. Per comparative between fair value and contract value, the gain amounting Baht 2.94 million is incurred.

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 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

Since the majority of the Company's financial instruments are short-term in nature, their fair value is not expected to be materially different from the amounts presented in the statement of financial position.

28. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2018

- 28.1 The Company has commitments for software license and system consulting agreement amounting of Baht 1.0 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 10.1 million.
- 28.4 The Company has capital expenditure in respect of the repairing of the plant amounting of Baht 24.92 Million.

29. EVENTS AFTER THE REPORTING PERIOD

On 25 February 2019, the Company's Board of Director's meeting 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.

However, this resolution will be further proposed for the shareholders' approval in the Ordinary General Meeting of Shareholders for fiscal year 2019.

30. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 25 February 2019.