

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was listed on the Stock Exchange of Thailand in 1993. the Company are 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 FINANCIAL STATEMENTS PREPARATION

The consolidated and the separate financial statements have been prepared in accordance with Thai Financial Reporting Standards (TFRS); guidelines promulgated by the Federation of Accounting Professions (“FAP”); 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 2016) 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 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.

3.2 Financial reporting standard that will become effective in the future

During the current year, the Federation of Accounting Professions issued a number of the revised financial reporting standards and interpretations (revised 2017) which is 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 management of the Company believe that the revised financial reporting standards will not have any significant impact on the financial statement when they are initially applied

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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 Investment properties

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.

4.6 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:

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	<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.

4.7 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.

4.8 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.

4.9 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.

4.10 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 less or) are charged to the profit or loss on a straight - line basis over the period of the lease.

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4.11 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 and its subsidiaries 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.

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

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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 and its subsidiaries 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 and its subsidiaries 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 and its subsidiaries 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

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4.18 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

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.

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4.19 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, including holding companies, subsidiary and fellow subsidiary are related parties of the Company. Associates and 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.Prospers 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 years then ended 31 December 2017 and 2016 are as follows:

	In Baht	
	2017	2016
Other income		
C.T.Prospers Group Co., Ltd.	90,000	90,000
Directors and management's benefits		
Short - term employee benefits	35,073,996	32,118,165
Post - employment benefits	870,310	805,387
Total	<u>35,944,306</u>	<u>32,923,552</u>

6. CASH AND CASH EQUIVALENTS

	In Baht	
	2017	2016
Cash	146,900	110,000
Current deposits	20,000	20,000
Saving deposits	126,576,776	405,001,595
Total	<u>126,743,676</u>	<u>405,131,595</u>

The weighted average effective interest rates of deposits at financial institutions were 0.2% to 0.625% per annum (2016 : 0.2% to 1.0% per annum).

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7. SHORT – TERM INVESTMENTS

	In Baht	
	2017	2016
Fixed deposits	250,000,000	200,000,000
Trading investment - Fund	180,199,999	150,681,734
Total	<u>430,199,999</u>	<u>350,681,734</u>

The movement in short - term investments for the years ended 31 December 2017 and 2016 can be analysed as follows:

	In Baht	
	2017	2016
Opening balance	150,681,734	-
Additions	280,000,000	150,000,000
Disposal	(250,681,734)	-
Gain on change in fair value	199,999	681,734
Ending balance	<u>180,199,999</u>	<u>150,681,734</u>

8. TRADE AND OTHER RECEIVABLES

	In Baht	
	2017	2016
Trade receivable - other companies	73,587,010	66,298,480
Value added tax receivable	3,834,041	1,784,858
Interest receivable	918,356	183,562
Other receivables	2,232,757	1,695,314
Total	<u>80,572,164</u>	<u>69,962,214</u>

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

	In Baht	
	2017	2016
Trade receivable - other companies		
Within credit terms	59,619,904	62,823,858
Overdue		
Less than 3 months	13,967,106	1,456,334
3 - 6 months	-	2,018,288
Total Trade receivable - other companies Net	<u>73,587,010</u>	<u>66,298,480</u>

9. ACCOUNTS RECEIVABLE - PLANTERS

	In Baht	
	2017	2016
Accounts receivable - planters	44,341,686	48,902,397
<u>Less</u> Allowance for doubtful accounts	<u>(657,551)</u>	<u>(621,897)</u>
Net	<u>43,684,135</u>	<u>48,280,500</u>

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10. INVENTORIES

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2017	2016	2017	2016	2017	2016
Finished goods and semi - finished products	398,518,008	300,382,012	(6,856,341)	(5,230,095)	391,661,667	295,151,917
Raw material and Supplies	23,022,892	27,399,460	(302,511)	(1,954,982)	22,720,381	25,444,478
Seeds, insecticide Fertilizer	19,182,911	24,479,440	(10,380)	(10,380)	19,172,531	24,469,060
Total	<u>440,723,811</u>	<u>352,260,912</u>	<u>(7,169,232)</u>	<u>(7,195,457)</u>	<u>433,554,579</u>	<u>345,065,455</u>

In 2017 the Company reversed the write - down of cost of inventories by Baht 0.002 million ,and reduced the amount of inventories recognised as expenses during the year and In 2016 the company reduced cost of inventories by Baht 3.73 million to reflect the net realizable value, This was included in cost of sales.

11. INVESTMENT IN RELATED COMPANY

As at 31 December 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.

12. INVESTMENT PROPERTIES

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

As at 31 December 2017 and 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.

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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 2016							
Cost	88,365,073	454,482,312	792,349,274	37,761,850	22,634,110	16,308,920	1,411,901,539
<u>Less</u> Accumulated depreciation	(6,307,701)	(360,606,152)	(685,484,515)	(32,068,791)	(19,687,787)	-	(1,104,154,946)
Allowance for impairment	-	(808,260)	(1,038,775)	-	-	-	(1,847,035)
Net book value	<u>82,057,372</u>	<u>93,067,900</u>	<u>105,825,984</u>	<u>5,693,059</u>	<u>2,946,323</u>	<u>16,308,920</u>	<u>305,899,558</u>
Transaction during the year ended 31 December 2016							
Opening net book value	82,057,372	93,067,900	105,825,984	5,693,059	2,946,323	16,308,920	305,899,558
<u>Add</u> Acquisition	-	1,660,778	7,247,979	1,102,804	1,018,241	55,467,994	66,497,796
Transfer in (out)	-	4,727,504	4,227,628	-	-	(9,588,340)	(633,208)
<u>Less</u> Disposals and amortization	-	(2,364,600)	(178,540)	(3)	(9,685)	-	(2,552,828)
Depreciation	-	(12,326,334)	(23,639,418)	(1,870,714)	(1,080,339)	-	(38,916,805)
Closing 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>
As at 31 December 2016							
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>

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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 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 At 31 December 2017	<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>
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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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. 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 2018. In this regards, the intention shall be advised to Lessor to further acknowledge and proceed.

15. INTANGIBLE ASSETS - SOFTWARE

	In Baht		
	Software	Software in progress	Total
As at 1 January 2016			
Cost	3,388,462	6,012,218	9,400,680
Accumulated amortization	(1,903,365)	-	(1,903,365)
Net book value	<u>1,485,097</u>	<u>6,012,218</u>	<u>7,497,315</u>
Transactions during the year ended 31 December 2016			
Opening net book value	1,485,097	6,012,218	7,497,315
<u>Add</u> : Acquisition	-	1,389,950	1,389,950
Transfer in (transfer out)	2,379,181	(2,379,181)	-
<u>Less</u> : Amortization	(330,655)	-	(330,655)
Closing net book value	<u>3,533,623</u>	<u>5,022,987</u>	<u>8,556,610</u>
As at 31 December 2016			
Cost	5,767,643	5,022,987	10,790,630
Accumulated amortization	(2,234,020)	-	(2,234,020)
Net book value	<u>3,533,623</u>	<u>5,022,987</u>	<u>8,556,610</u>

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	In Baht		
	Software	Software in progress	Total
Transactions during the year ended 31 December 2017			
Opening net book value	3,533,623	5,022,987	8,556,610
<u>Add</u> : Acquisition	804,000	594,000	1,398,000
Transfer in (transfer out)	1,981,610	(1,981,610)	-
<u>Less</u> : Amortization	(429,006)	-	(429,006)
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	(2,663,025)	-	(2,663,025)
Net book value	<u>5,890,227</u>	<u>3,635,377</u>	<u>9,525,604</u>

16. BANK OVERDRAFTS AND SHORT - TERM LOANS

As at 31 December 2017 and 2016, the Company has the overdrafts and short-term loans lines amounted to Baht 473 million and Baht 406 million, respectively. The facilities charge an interest at the rate of MOR per annum.

17. TRADE AND OTHER PAYABLES

	In Baht	
	2017	2016
Trade payables	26,512,889	29,348,671
Accrued expenses	38,177,087	43,180,334
Others	1,965,784	2,356,603
Total	<u>66,655,760</u>	<u>74,885,608</u>

18. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht	
	2017	2016
Liabilities under finance lease agreements	4,055,718	-
<u>Less</u> Deferred Interest and input tax	(510,870)	-
Current portion of liabilities under finance lease agreements	(835,723)	-
Net	<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 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	(0.21)	(0.31)	(0.52)
Present value of future minimum lease payments	0.91	2.63	3.54

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	
	2017	2016
For the year ended 31 December		
Defined benefit obligations at 1 January	44,907,938	40,934,900
Included in profit or loss:		
Interest on obligation	2,837,737	2,754,048
Current service costs	2,029,634	1,859,190
Actuarial gains		
Financial assumptions changes	2,639,730	-
Demographic assumptions changes	(6,219,271)	-
Experience adjustments	2,268,116	-
Benefit paid for the year	(2,234,900)	(640,200)
Defined benefit obligations at 31 December	46,228,984	44,907,938

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

	In Baht	
	2017	2016
Costs of sales	3,862,452	3,654,313
Sales expenses	128,026	126,001
Administrative expenses	876,893	832,924
Total	4,867,371	4,613,238

The Company expect to pay Baht 4.01 million of long - term employee benefits during the next year (2016: Baht 1.95 million).

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

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Principal actuarial assumptions at the reporting date

	2017	2016
Discount rate	2.78 - 3.14% per annum	4.16 % per annum
Salary increase rate	1.08 - 3.81%	5.82%
Employee turnover rate	Scale related to Age ranging from 0 - 48%	Scale related to Age ranging from 0 - 26%
Mortality rate	According to Thailand TMO 2008 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			
	2017		2016	
	Increase	Decrease	Increase	Decrease
Defined benefit obligation at 31 December				
Discount rate (0.5 % movement)	(1.70)	1.81	(1.75)	1.87
Salary Increase Rate (0.5% movement)	2.04	(1.93)	2.17	(2.02)
Turnover Rate (0.5% movement)	(1.00)	1.08	(2.17)	2.34

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.

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 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>	
Interim dividend paid from the operating results year 2015	At the ordinary shareholders' meeting dated 26 April 2016	381	0.20	76.23	May 2016

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22. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	In Baht	
	2017	2016
Changes in finished goods, semi - finished products and raw materials	(98,430,150)	98,430,377
Purchase raw materials	530,733,697	393,784,813
Depreciation and amortization	43,824,241	39,247,460
Staff costs	289,722,763	267,270,366

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 year 2017 , export sales of the Company was 97% of total sales (2016 : 98% of total sales)

Major customers

For the year 2017, the Company has revenue from 4 major customers, representing 82% of total revenue, arising from manufacturing and distribution of frozen vegetables (2016: 74% of total revenue was derived from 3 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 2017 and 2016 amounted to Baht 1.7 million and Baht 1.8 million, respectively.

25. INCOME TAX

Income tax expenses for the year ended 31 December 2017 and 2016 are made up as follows:

	In Baht	
	2017	2016
Income tax recognized in profit or loss		
Current income tax		
Current year	38,068,668	50,837,201
Deferred tax		
Relating to origination and reversal of temporary differences	(624,727)	(3,362,542)
Total	<u>37,443,941</u>	<u>47,474,659</u>
Income tax recognised in other comprehensive income		
Actuarial gain	<u>262,285</u>	<u>-</u>

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	In Baht	
	2017	2016
Accounting profit before corporate income tax	197,850,126	243,850,731
Applicable tax rate (%)	20	20
Income tax using the Thai corporation tax rate	39,570,025	48,770,147
Incoming not subject to tax	(40,000)	-
Incoming for tax purposes	-	1,509,899
Addition expenses deductible for tax purposes	(2,757,121)	(1,278,275)
Expenses not deductible for tax purposes	1,295,764	1,835,430
Current tax	38,068,668	50,837,201
Relating to origination and reversal of temporary differences	(624,727)	(3,362,542)
Income tax expense	<u>37,443,941</u>	<u>47,474,659</u>

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

	In Baht	
	2017	2016
Statements of financial position		
Increase in deferred tax assets		
Allowance for doubtful accounts	131,510	124,379
Allowance for diminution of inventories	1,433,846	1,439,091
Provisions for employee benefit obligations	9,245,798	8,981,588
Increase in deferred tax liabilities		
Premium on revaluation of trading investments	(40,000)	(136,346)
	<u>10,771,154</u>	<u>10,408,712</u>

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 December 2017 and 2016, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

	(Unit : Baht)			
	2017			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Held for trade investments				
Unit Trust	-	180,199,999	-	180,199,999
Assets for which fair value are disclosed				
Investment property	-	76,258,000	-	76,258,000

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(Unit : Baht)

	2016			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Held for trade investments				
Unit Trust	-	150,681,734	-	150,681,734
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 2017, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 26.5 million in exchange of Baht 879.2 million with 4 commercial banks. The contract will be due within 6 - 12 months. Per comparative between fair value and contract value, the loss amounting Baht 17.1 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 2017

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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29. EVENTS AFTER THE REPORTING PERIOD

On 23 February 2018, the Company's Board of Director's meeting passed a resolution to approve a dividend payment at Baht 0.34 per share from the 2017 operating results. In this regard, the Company already paid an interim dividend at Baht 0.14 per share, totaling Baht 53.36 million, during the year 2017 to the shareholders, therefore the remaining dividend payable will be Baht 0.20 per share, or totaling Baht 76.23 million.

However, this resolution will be further proposed for the shareholders' approval in the Ordinary General Meeting of Shareholders for fiscal year 2018.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 23 February 2018