

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 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.

The financial statements are presented in Baht, which is also the Company’s functional currency. All financial information presented in Thai Baht has been rounded in the notes to the financial statements to the nearest unit unless otherwise stated.

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

TFRS 15 Revenue from Contracts with Customers

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

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

Entities are to apply this standard to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

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

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

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

Financial reporting standards related to financial instruments

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

Financial reporting standards:

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Accounting standard:

TAS 32	Financial Instruments: Presentation
--------	-------------------------------------

Financial Reporting Standard Interpretations:

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

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

The management of the Company expect that the adoption of these accounting standards to result in the following adjustments.

- Classification and measurement of investments in equity instruments of non-listed companies-The Company are to measure investments in equity instruments of non-listed companies at fair value and elect to classify the investments as financial assets at fair value, through either profit or loss or through other comprehensive income. If the Company elect to present subsequent changes in the fair value of the investment through other comprehensive income, the election is irrevocable.

- Recognition of credit losses-The Company are to recognise an allowance for expected credit losses on its financial assets, and they are no longer necessary for a credit-impaired event to have occurred. The Company apply simplified approach to consider impairment of trade receivables.
- Recognition of derivatives-The Company are to initially recognise derivative at their fair value on the contract date and subsequently measure them at their fair value at the end of each reporting period. However, the Company are currently considering application of hedge accounting for certain derivatives.

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

TFRS 16 Leases

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

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

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

4. SIGNIFICANT 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.

4.2 Accounts receivable

Trade receivable are carried at the net realizable value less allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance for doubtful accounts is the difference between the carrying amount of the receivable and the amount expected to be collectible. Bad debts are written-off during the year in which they are identified.

4.3 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.

4.4 Investments

Investments in unit trusts of mutual funds which the Company holds as trading investments are determined at fair value. The fair value of unit trusts is determined from their net asset value. Gains or losses arising from changes in the value of securities are included in statement of comprehensive income.

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.

4.5 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:

	<u>No. of Years</u>
Building and Improvement	10-20
Machineries and equipment	5-10
Vehicles	5
Office equipment and fixtures	5

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Estimated recoverable amount is the higher of the anticipated discounted cash flows from the continuing use of the asset and the amount obtainable from the sale of the asset less any costs of disposal.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

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

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 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.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Company recognizes restructuring-related costs.

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 expects 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

Sale of goods

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

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

Revenue from leases is recognised on a straight-line basis over the lease term.

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 recognises 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. Accounts receivable-planners and short-term loans to other company. Financial liabilities carried on the statements of financial position include trade accounts payable and other payables, liabilities under finance lease agreements. 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 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.

4.18 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.

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

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

5.2 Balances of transactions with related companies

Balances of transactions with related companies as at 31 December 2019 and 2018 are as follows:

	In Baht	
	2019	2018
Other receivables (Note 8)		
Related companies	9,447	9,295

5.3 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 2019 and 2018 are as follows:

	In Baht	
	2019	2018
Other income		
Related companies	90,000	429,119
Purchase		
Related companies	656,810	-
Directors and management's benefits		
Short-term employee benefits	29,080,868	33,064,766
Post-employment benefits	335,911	800,355
Total	29,416,779	33,865,121

6. CASH AND CASH EQUIVALENTS

	In Baht	
	2019	2018
Cash	110,000	750,149
Current deposits	4,401	-
Saving deposits	180,216,205	121,596,533
Total	180,330,606	122,346,682

The weighted average effective interest rates of deposits at financial institutions were 0.2% to 0.625% per annum (2018 : 0.2% to 0.625% per annum).

7. SHORT-TERM INVESTMENTS

	In Baht	
	2019	2018
Fixed deposits 3-6 months	90,002,020	150,002,000
Trading investment-Fund	101,209,748	40,105,389
Total	191,211,768	190,107,389

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

The movement in trading investment-fund for the years ended 31 December 2019 and 2018 can be analysed as follow:

	In Baht	
	2019	2018
Opening balance	40,105,389	180,199,999
Additions	250,454,749	200,353,923
Disposal	(190,000,000)	(340,871,644)
Gain on sales of investment	429,992	219,940
Change in fair value	219,618	203,171
Ending balance	101,209,748	40,105,389

8. TRADE AND OTHER RECEIVABLES

	In Baht	
	2019	2018
Trade receivable	94,510,686	105,133,431
Value added tax receivable	3,411,621	2,413,801
Accrued interest receivable	480,596	72,881
Advance payment	2,795,535	1,299,429
Advance payment for seed	7,189,267	30,120,656
Other receivables-Related companies (Note 5.2)	9,447	9,295
Other receivables	921,216	431,431
Total	109,318,368	139,480,924

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

	In Baht	
	2019	2018
Trade receivable		
Within credit terms	62,066,735	70,152,589
Overdue :		
Less than 3 months	31,933,543	34,980,842
3-6 months	510,408	-
Total Trade receivable	94,510,686	105,133,431

9. ACCOUNTS RECEIVABLE-PLANTERS

	In Baht	
	2019	2018
Accounts receivable-planters	18,305,412	8,864,224
<u>Less</u> Allowance for doubtful accounts	(632,935)	(804,895)
Net	17,672,477	8,059,329

10. SHORT-TERM LOANS TO OTHER COMPANY

As at 31 December 2019, the Company has short-term loans to Sino-Thai Freeze & Dry Co., Ltd., which is the other investment with a proportion of 15%, the Company supported in according of investment proportion in amounting of Baht 13.60 million with an interest rate of 6.75% per year, the repayment conditions are at call.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

11. INVENTORIES

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories-net	
	2019	2018	2019	2018	2019	2018
Finished goods and semi-finished products	431,722,556	555,594,271	(4,370,539)	(4,188,313)	427,352,017	551,405,958
Raw material and Supplies	30,826,110	33,738,950	(594,176)	(96,282)	30,231,934	33,642,668
Seeds, insecticide, Fertilizer	43,269,196	28,140,957	(996,045)	(14,880)	42,273,151	28,126,077
Total	<u>505,817,862</u>	<u>617,474,178</u>	<u>(5,960,760)</u>	<u>(4,299,475)</u>	<u>499,857,102</u>	<u>613,174,703</u>

In 2019, the company reduced cost of inventories by Baht 1.66 million to reflect the net realizable value, this was included in cost of sales. In 2018, the Company reversed the write-down of cost of inventories by Baht 2.87 million, and reduced the amount of inventories recognised as expenses during the year.

12. OTHER LONG-TERM INVESTMENT

As at 31 December 2019

	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>

13. INVESTMENT PROPERTY

Investment properties of the Company as at 31 December 2019 and 2018 represent the book value of the Company's plot of land which held for nonspecific purpose.

As at 31 December 2019 and 2018, 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.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

14. PROPERTY, PLANT AND EQUIPMENT

	In Baht						
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
As at 1 January 2018							
Cost	88,365,073	489,380,696	793,570,761	41,615,354	23,503,326	5,424,501	1,441,859,711
Less 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	82,057,372	136,107,634	113,536,723	11,766,610	3,828,875	5,424,501	352,721,715
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
Add 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	(27,600,703)	-
Transfer out to expense	-	-	-	-	-	(42,401)	(42,401)
Less Disposal and write off assets	-	(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	82,057,372	133,289,447	121,848,256	9,681,017	4,619,248	27,523,511	379,018,851
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
Less 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	82,057,372	133,289,447	121,848,256	9,681,017	4,619,248	27,523,511	379,018,851

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	In Baht						
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
Transaction during the year ended 31 December 2019							
Opening net book value	82,057,372	133,289,447	121,848,256	9,681,017	4,619,248	27,523,511	379,018,851
Add Acquisition	-	9,513,488	30,439,412	3,052,177	3,637,677	49,144,117	95,786,871
Transfer in (out)	-	11,690,750	732,030	-	-	(12,422,780)	-
Transfer out to expense	-	-	-	-	-	(260,600)	(260,600)
Less Disposal and write off assets	-	(27,252)	(84,000)	(3)	(3,387)	-	(114,642)
Depreciation	-	(17,340,319)	(28,041,784)	(1,744,121)	(1,828,718)	-	(48,954,942)
Closing net book value	82,057,372	137,126,114	124,893,914	10,989,070	6,424,820	63,984,248	425,475,538
As at 31 December 2019							
Cost	88,365,073	521,001,180	827,511,883	35,301,721	27,357,986	63,984,248	1,563,522,091
Less Accumulated depreciation	(6,307,701)	(383,348,543)	(702,617,934)	(24,312,651)	(20,933,166)	-	(1,137,519,995)
Allowance for impairment	-	(526,523)	(35)	-	-	-	(526,558)
Net book value	82,057,372	137,126,114	124,893,914	10,989,070	6,424,820	63,984,248	425,475,538

As at 31 December 2019, the Company had vehicles under finance lease agreements with net book values amounting to Baht 9.60 million (2018 : Baht 7.74 million).

15. LEASE DEPOSIT ON LAND

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. 5/2019 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 extend the contract for the period of 2 years to be ended 31 December 2021. 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.6/2019.

16. INTANGIBLE ASSETS-SOFTWARE COMPUTER

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

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

	In Baht		
	Software	Software in progress	Total
Transactions during the year ended 31 December 2019			
Opening net book value	6,717,509	2,125,579	8,843,088
Add : Acquisition	20,000	1,754,324	1,774,324
Transfer in (transfer out)	1,180,544	(1,180,544)	-
Less : Amortization	(927,960)	-	(927,960)
Closing net book value	<u>6,990,093</u>	<u>2,699,359</u>	<u>9,689,452</u>
As at 31 December 2019			
Cost	11,352,294	2,699,359	14,051,653
Accumulated amortization	<u>(4,362,201)</u>	<u>-</u>	<u>(4,362,201)</u>
Net book value	<u>6,990,093</u>	<u>2,699,359</u>	<u>9,689,452</u>

17. BANK OVERDRAFTS AND SHORT-TERM LOANS

As at 31 December 2019 and 2018, the Company has the overdrafts and short-term loans facilities amounted to Baht 330 million. The facilities charge an interest at the rate of MOR per annum.

18. TRADE AND OTHER PAYABLES

	In Baht	
	2019	2018
Trade payables	28,690,702	34,986,245
Accrued expenses	25,171,458	34,260,915
Others payables	865,884	1,327,402
Total	<u>54,728,044</u>	<u>70,574,562</u>

19. LIABILITIES UNDER FINANCE LEASE AGREEMENTS

	In Baht	
	2019	2018
Liabilities under finance lease agreements	3,823,163	2,940,390
Less Deferred interest and input vat	(317,067)	(292,870)
Current portion of liabilities under finance lease agreements	<u>(1,575,033)</u>	<u>(960,462)</u>
Net	<u>1,931,063</u>	<u>1,687,058</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.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

As at 31 December 2019, 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	1.75	2.07	3.82
Deferred interest expenses	(0.17)	(0.14)	(0.31)
Present value of future minimum lease payments	1.58	1.93	3.51

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	0.96	1.69	2.65

20. EMPLOYEE BENEFIT OBLIGATIONS

Movement in the present value of the defined benefit obligations:

	In Baht	
	2019	2018
For the year ended 31 December		
Defined benefit obligations at 1 January	49,643,277	46,228,984
Included in profit or loss:		
Past service cost	10,630,035	-
Interest on obligation	1,240,769	1,457,885
Current service costs	3,379,035	2,861,945
Actuarial gains (losses)		
Financial assumptions changes	4,170,905	1,609,413
Demographic assumptions changes	20,285	1,954,028
Experience adjustments	5,416,499	(794,978)
Benefit paid during the year	(5,176,866)	(3,674,000)
Defined benefit obligations at 31 December	69,323,939	49,643,277

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

	In Baht	
	2019	2018
Costs of sales	11,672,768	3,427,521
Sales expenses	189,214	113,623
Administrative expenses	3,387,902	778,686
Total	15,249,884	4,319,830

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

The Company expect to pay Baht 15.80 million of long-term employee benefits during the next year (2018: Baht 12.72 million).

As at 31 December 2019, the weighted average duration of the liabilities for long-term employee benefit is 9 years (2018: 9 years).

Principal actuarial assumptions at the reporting date

	2019	2018
Discount rate	1.50% per annum	2.50% per annum
Salary increase rate	2%	2%
Employee turnover rate	Scale related to Age ranging from 4.58-34.38%	Scale related to Age ranging from 4.58-34.38%
Mortality rate	According to Thailand TMO 2017 male and female tables	According to Thailand TMO 2017 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	
	2019	
	Increase	Decrease
Defined benefit obligation at 31 December		
Discount rate (1% movement)	(2.17)	2.31
Salary Increase Rate (1% movement)	(4.69)	(4.22)
Turnover Rate (20% movement)	(4.46)	5.10

	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

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.

Amendments to the law relating to the legal severance pay rates

On 5 April 2019, The Labor Protection Act (No. 7) B.E. 2562 was announced in the Royal Gazette. This stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate. The law is effective from 5 May 2019. This change is considered a post-employment benefits plan amendment and the Company have additional long-term employee benefit liabilities of Baht 10.63 million as a result. The Company reflected the effect of the change by recognising past service costs as expenses in the statement of comprehensive income the second quarter of current period.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

21. 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.

22. 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 the operating results year 2018	At the ordinary shareholders' meeting dated 24 April 2019	381	0.11	41.92	May 2019
	Total dividends paid year 2019			<u>41.92</u>	
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>	

23. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	In Baht	
	2019	2018
Changes in finished goods, semi-finished products and raw materials	124,332,092	(157,309,096)
Purchase raw materials	321,862,874	556,039,828
Depreciation and amortization	49,882,902	43,704,953
Staff costs	276,293,971	280,063,306

24. 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 years ended 31 December 2019 and 2018, the Company has export sales and domestic sales are as follows:

	In Baht	
	2019	2018
Export sales	1,092,287,442	1,238,316,099
Domestic sales	70,969,455	27,192,541
Total	<u>1,163,256,897</u>	<u>1,265,508,640</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Major customers

For the year 2019, the Company has revenue from 3 major customers, representing 71% of total revenue, arising from manufacturing and distribution of frozen vegetables (2018: 74% of total revenue was derived from 3 major customers).

25. 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 amount for the years ended 31 December 2019 and 2018 amounted to Baht 1.63 million and Baht 1.94 million, respectively.

26. INCOME TAX

Income tax for the years ended 31 December 2019 and 2018 are made up as follows:

	In Baht	
	2019	2018
Income tax recognized in profit or loss		
Current income tax		
Current year	9,191,168	21,317,702
Deferred tax		
Relating to origination and reversal of temporary differences	(2,182,543)	396,395
Total	<u>7,008,625</u>	<u>21,714,097</u>
Income tax recognised in other comprehensive income		
Actuarial loss	<u>1,921,529</u>	<u>553,693</u>
	In Baht	
	2019	2018
Accounting profit before corporate income tax	41,773,427	119,195,704
Applicable tax rate (%)	20	20
Income tax using the Thai corporation tax rate	8,354,685	23,839,141
Incoming not subject to tax	(31,846)	(21,078)
Addition expenses deductible for tax purposes	(2,612,912)	(3,061,588)
Expenses not deductible for tax purposes	3,481,241	561,227
Current tax	<u>9,191,168</u>	<u>21,317,702</u>
Relating to origination and reversal of temporary differences	<u>(2,182,543)</u>	<u>396,395</u>
Income tax expense	<u>7,008,625</u>	<u>21,714,097</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	In Baht	
	2019	2018
Statements of financial position		
Increase in deferred tax assets		
Allowance for doubtful accounts	126,587	160,979
Allowance for diminution of inventories	1,192,151	859,895
Provisions for employee benefit obligations	13,864,788	9,928,655
Increase in deferred tax liability		
Premium on revaluation of trading investments	(151,003)	(21,078)
	<u>15,032,523</u>	<u>10,928,451</u>

27. FAIR VALUE OF FIANCIAL INSTRUMENTS

The Company use the market approach to measure their assets and liabilities that are required to be measured at fair value by relevant financial reporting standards, except that the cost approach or income approach is used when there is no active market or when a quoted market price is not available.

Fair value hierarchy

In applying the above-mentioned valuation techniques, the Company endeavor to use relevant observable inputs as much as possible. TFRS 13 Fair Value Measurement establishes a fair value hierarchy categorising such inputs into three levels as follows:

Level 1-Use of quoted market prices in an observable active market for such assets or liabilities

Level 2-Use of other observable inputs for such assets or liabilities, whether directly or indirectly

Level 3-Use of unobservable inputs such as estimates of future cash flows

As at 31 December 2019 and 2018, the Company had the assets and liabilities that were measured at fair value using different levels of inputs as follows:

	(Unit : Baht)			
	2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Held for trade investments-				
Unit Trust	-	101,209,748	-	101,209,748
Assets for which fair value are disclosed				
Investment property	-	90,605,550	-	90,605,550

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

				(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

28. FINANCIAL INSTRUMENTS

28.1 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.

28.2 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 2019, the Company have outstanding forward foreign exchange selling contracts total of U.S. Dollars 29.00 million in exchange of Baht 887.65 million with 4 commercial banks. The contract will be due within January 2021. Per comparative between fair value and contract value, the gain amounting Baht 17.57 million is incurred.

28.3 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.

28.4 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.

29. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 December 2019

- 29.1** The Company has commitments for software license and system consulting agreement amounting of Baht 0.25 million.
- 29.2** The Company has commitment to pay the financial advisory about investment in Myanmar amounting to approximately Baht 0.3 million.
- 29.3** The Company has contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 10.07 million.
- 29.4** The Company has capital expenditure in respect of the repairing of the plant amounting of Baht 18.04 Million.

30. EVENTS AFTER THE REPORTING PERIOD

On 26 February 2020, the Company's Board of Director's meeting passed a resolution to approve a dividend payment at Baht 0.06 per share, totaling Baht 22.87 million from the 2019 operating results.

However, this resolution will be further proposed for the shareholders' approval in the Ordinary General Meeting of Shareholders for fiscal year 2020.

31. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These financial statements have been approved by the Company's Board of Directors on 26 February 2020.