

Patum Rice Mill and Granary Public Company Limited
and its subsidiaries
Review report and interim financial statements
For the three-month period ended 31 March 2015

Independent Auditor's Report on Review of Interim Financial Information

To the Shareholders of Patum Rice Mill and Granary Public Company Limited

I have reviewed the accompanying consolidated statement of financial position of Patum Rice Mill and Granary Public Company Limited and its subsidiaries as at 31 March 2015, the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month period then ended, as well as the condensed notes to the consolidated financial statements. I have also reviewed the separate financial information of Patum Rice Mill and Granary Public Company Limited for the same period. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 Interim Financial Reporting. My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 Interim Financial Reporting.

Nonglak Pumnoi
Certified Public Accountant (Thailand) No. 4172

EY Office Limited
Bangkok: 11 May 2015

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of financial position

As at 31 March 2015

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements		
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)	
Assets					
Current assets					
Cash and cash equivalents	3	47,380	46,601	6,384	4,429
Current investments	4	30,071	-	-	-
Trade and other receivables	2, 5	152,644	271,276	144,868	261,086
Inventories	6	253,874	168,720	109,435	149,128
Short-term loan to a subsidiary	2	-	-	125,380	-
Other current assets		91,696	57,276	46,383	21,106
Total current assets		575,665	543,873	432,450	435,749
Non-current assets					
Investments in subsidiaries	7	-	-	883,074	883,074
Investment in parent company					
- available-for-sale security	8	6,989,493	7,289,043	6,639,493	6,924,043
Other long-term investments		3,578	3,578	61	61
Investment properties	9	40,204	40,720	30,715	30,766
Property, plant and equipment	10	325,833	325,523	181,836	185,918
Prepaid rental fee	2	405,912	237,933	-	-
Intangible asset		6,731	6,299	4,896	5,100
Deferred tax assets	12	4,111	3,829	3,154	3,063
Goodwill	7	53,421	53,421	-	-
Other non-current assets		14,729	16,205	-	-
Total non-current assets		7,844,012	7,976,551	7,743,229	8,032,025
Total assets		8,419,677	8,520,424	8,175,679	8,467,774

The accompanying notes are an integral part of the financial statements.

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2015

(Unit: Thousand Baht)

	Note	Consolidated financial statements		Separate financial statements	
		31 March 2015	31 December 2014	31 March 2015	31 December 2014
		(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Liabilities and shareholders' equity					
Current liabilities					
Bank overdrafts and short-term loans from banks	11	693,223	513,076	693,223	513,076
Short-term loans from related persons	2	4,000	4,000	-	-
Short-term loans from subsidiaries	2	-	-	93,500	302,120
Trade and other payables	2	107,916	103,157	79,346	63,129
Income tax payable		3,634	2,192	1,279	418
Other current liabilities		20,361	12,646	4,019	4,165
Total current liabilities		829,134	635,071	871,367	882,908
Non-current liabilities					
Provision for long-term employee benefits		19,998	19,285	15,771	15,313
Deferred tax liabilities	12	1,190,634	1,250,544	1,146,384	1,203,294
Other non-current liabilities		3,579	3,542	-	-
Total non-current liabilities		1,214,211	1,273,371	1,162,155	1,218,607
Total liabilities		2,043,345	1,908,442	2,033,522	2,101,515

The accompanying notes are an integral part of the financial statements.

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of financial position (continued)

As at 31 March 2015

(Unit: Thousand Baht)

Note	Consolidated financial statements		Separate financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
	(Unaudited but reviewed)	(Audited)	(Unaudited but reviewed)	(Audited)
Shareholders' equity				
Share capital				
Registered share capital				
	900,000,000 ordinary shares of Baht 1 each	900,000	900,000	900,000
Issued and fully paid-up share capital				
	600,000,000 ordinary shares of Baht 1 each	600,000	600,000	600,000
	Share premium	160,000	160,000	160,000
Retained earnings				
	Appropriated - statutory reserve	90,000	90,000	90,000
	Unappropriated	617,919	612,438	706,621
	Other components of shareholders' equity	4,843,443	5,083,083	4,585,536
	Equity attributable to owners of the Company	6,311,362	6,545,521	6,142,157
	Non-controlling interests of the subsidiaries	64,970	66,461	-
	Total shareholders' equity	6,376,332	6,611,982	6,142,157
	Total liabilities and shareholders' equity	8,419,677	8,520,424	8,175,679
		-	-	-

The accompanying notes are an integral part of the financial statements.

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Directors
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(Unaudited but reviewed)

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of comprehensive income

For the three-month period ended 31 March 2015

(Unit: Thousand Baht, except earnings per share expressed in Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2015	2014	2015	2014
Sales					
Revenues from sales	2, 14	443,230	413,246	370,517	339,553
Revenues form services	2, 14	1,974	3,111	-	-
Fair value gain on trading investments	4	470	-	-	-
Other income	2, 14	5,141	8,158	2,180	6,294
Total revenues		450,815	424,515	372,697	345,847
Expenses					
Cost of sales	2, 14	362,526	357,322	307,105	284,258
Cost of services		1,942	2,635	-	-
Selling expenses	2, 14	52,259	44,490	38,895	41,664
Administrative expenses	2, 14	25,715	19,323	17,688	12,538
Total expenses		442,442	423,770	363,688	338,460
Profit before finance cost and income tax expenses		8,373	745	9,009	7,387
Finance cost	2, 14	(3,097)	(4,477)	(4,701)	(4,358)
Profit (loss) before income tax expenses		5,276	(3,732)	4,308	3,029
Income tax expenses		(1,287)	48	(770)	90
Profit (loss) for the period		3,989	(3,684)	3,538	3,119
Other comprehensive income:					
Other comprehensive income to be reclassified					
to profit or loss in subsequent periods:					
Gain (loss) on change in value of available-for sale investment					
- net of income tax		(239,640)	159,760	(227,640)	151,760
Other comprehensive income for the period		(239,640)	159,760	(227,640)	151,760
Total comprehensive income for the period		(235,651)	156,076	(224,102)	154,879

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of comprehensive income (continued)

For the three-month period ended 31 March 2015

(Unit: Thousand Baht, except earnings per share expressed in Baht)

Note	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Profit attributable to:				
Equity holders of the Company	5,480	(1,642)	3,538	3,119
Non-controlling interest of the subsidiaries	(1,491)	(2,042)		
	<u>3,989</u>	<u>(3,684)</u>		
Total comprehensive income attributable to:				
Equity holders of the Company	(234,160)	158,118	(224,102)	154,879
Non-controlling interests of the subsidiaries	(1,491)	(2,042)		
	<u>(235,651)</u>	<u>156,076</u>		
Earnings per share				
	16			
Basic earnings per share				
Profit attributable to equity holders of the Company	<u>0.009</u>	<u>(0.003)</u>	<u>0.006</u>	<u>0.005</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Cash flow statement

For the three-month period ended 31 March 2015

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash flows from operating activities				
Profit (loss) before tax	5,276	(3,732)	4,308	3,029
Adjustments to reconcile profit (loss) before tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	11,079	8,180	4,639	4,672
(Gain) loss on sales of equipment	123	(1)	-	-
Amortisation of prepaid rental fee	5,212	3,125	-	-
Reversal of allowance for doubtful debts	(8)	-	(8)	-
Fair value gain on trading investments	(470)	-	-	-
Allowance for diminution in value of inventories (reversal)	(4,000)	1,050	(4,000)	1,050
Provision for long-term employee benefits	713	568	459	450
Interest income	(124)	(426)	(1,029)	(4,886)
Interest expenses	3,097	4,477	4,701	4,358
Income from operating activities before changes in operating assets and liabilities	20,898	13,241	9,070	8,673
Operating assets (increase) decrease				
Trade and other accounts receivable	118,671	86,580	116,906	85,659
Inventories	(81,154)	(6,794)	43,693	(11,677)
Other current assets	(32,279)	47,874	(24,087)	53,948
Prepaid rental fee	(173,191)	-	-	-
Other non-current assets	1,476	-	-	-
Operating liabilities increase (decrease)				
Trade and other accounts payable	4,736	30,529	16,288	35,922
Other current liabilities	7,588	1,806	(146)	710
Other non-current liabilities	38	-	-	-
Cash flows from (used in) operating activities	(133,217)	173,236	161,724	173,235
Cash paid for corporate income tax	(2,141)	(1,296)	(1,189)	(638)
Net cash flows from (used in) operating activities	(135,358)	171,940	160,535	172,597

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Cash flow statement (continued)

For the three-month period ended 31 March 2015

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	2015	2014	2015	2014
Cash flows from investing activities				
Cash paid for purchase of current investments	(29,601)	-	-	-
Cash received from loan to a subsidiary	-	-	500	11,200
Increase in short-term loan to a subsidiary	-	-	(125,880)	(3,900)
Proceeds from sales of equipment	-	5	-	5
Cash received from interest income	93	351	406	3,277
Purchases of intangible assets	(883)	(3)	(65)	-
Purchases of plant and equipment	(10,546)	(9,330)	(237)	(413)
Net cash flows from (used in) investing activities	(40,937)	(8,977)	(125,276)	10,169
Cash flows from financing activities				
Decrease in bank overdrafts	147	(2,838)	147	(2,456)
Cash received from short-term loans from banks	381,000	90,000	381,000	90,000
Repayment of short-term loans from banks	(201,000)	(268,000)	(201,000)	(268,000)
Cash received from short-term loans from related company	-	-	42,000	-
Repayment of short-term loans from related company	-	-	(250,620)	-
Cash paid for interest expenses	(3,073)	(4,857)	(4,831)	(4,738)
Net cash flows from (used in) financing activities	177,074	(185,695)	(33,304)	(185,194)
Net increase (decrease) in cash and cash equivalents	779	(22,732)	1,955	(2,428)
Cash and cash equivalents as at beginning of period	46,601	145,606	4,429	6,628
Cash and cash equivalents as at end of period	47,380	122,874	6,384	4,200
	-	-	-	-

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity

For the three-month period ended 31 March 2015

(Unit: Thousand Baht)

	Consolidated financial statements							
	Equity attributable to the owners of the Company							
	Issued and fully paid-up share capital	Share premium	Retained earnings		Surplus on change in value of available-for-sale investment	Total equity attributable to the owners of the Company	Equity attributable to non-controlling interests of the subsidiaries	Total Shareholders' equity
			Appropriated - statutory reserve	Unappropriated				
Balance as at 1 January 2014	600,000	160,000	90,000	569,202	4,843,443	6,262,645	64,460	6,327,105
Total comprehensive income for the period	-	-	-	(1,642)	159,760	158,118	(2,042)	156,076
Balance as at 31 March 2014	<u>600,000</u>	<u>160,000</u>	<u>90,000</u>	<u>567,560</u>	<u>5,003,203</u>	<u>6,420,763</u>	<u>62,418</u>	<u>6,483,181</u>
Balance as at 1 January 2015	600,000	160,000	90,000	612,439	5,083,083	6,545,522	66,461	6,611,983
Total comprehensive income for the period	-	-	-	5,480	(239,640)	(234,160)	(1,491)	(235,651)
Balance as at 31 March 2015	<u>600,000</u>	<u>160,000</u>	<u>90,000</u>	<u>617,919</u>	<u>4,843,443</u>	<u>6,311,362</u>	<u>64,970</u>	<u>6,376,332</u>
	-	-	-	-	-	-	-	-

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Statement of changes in shareholders' equity (continued)

For the three-month period ended 31 March 2015

(Unit: Thousand Baht)

	Separate financial statements					Total Shareholders' equity
	Issued and fully paid-up share capital	Share premium	Retained earnings		Surplus on changes in value of available-for-sale investments	
			Appropriated - statutory reserve	Unappropriated		
Balance as at 1 January 2014	600,000	160,000	90,000	653,271	4,585,536	6,088,807
Total comprehensive income for the period	-	-	-	3,119	151,760	154,879
Balance as at 31 March 2014	<u>600,000</u>	<u>160,000</u>	<u>90,000</u>	<u>656,390</u>	<u>4,737,296</u>	<u>6,243,686</u>
Balance as at 1 January 2015	600,000	160,000	90,000	703,083	4,813,176	6,366,259
Total comprehensive income for the period	-	-	-	3,538	(227,640)	(224,102)
Balance as at 31 March 2015	<u>600,000</u>	<u>160,000</u>	<u>90,000</u>	<u>706,621</u>	<u>4,585,536</u>	<u>6,142,157</u>
	-	-	-	-	-	-

The accompanying notes are an integral part of the financial statements.

Patum Rice Mill and Granary Public Company Limited and its subsidiaries

Notes to interim financial statements

For the three-month period ended 31 March 2015

1. General information

1.1 Corporate information

Patum Rice Mill and Granary Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. Its parent company is MBK Public Company Limited, which was incorporated in Thailand. The Company is principally engaged in the processing and packaging of rice and related business. Its registered office address is 88, Moo 2, Tiwanont Road, Bangkadee Sub-District, Muang District, Pathumthani 12000 and the second factory is located at 109/3, Moo 14, Mitraparp Road Km.199, Lardbuakhow Sub-District, Sikhiu District, Nakornratchasima 30340.

1.2 Basis for the preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2014) “Interim Financial Reporting”, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language financial statements.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of Patum Rice Mill and Granary Public Company Limited (“the Company”) and its subsidiary companies (“the subsidiaries”) and have been prepared on the same basis as that applied for the consolidated financial statements for the year ended 31 December 2014.

The consolidated interim financial statements include the account balances of the Company and its subsidiaries. Material intercompany transactions and balances have been eliminated. The Company’s percentages of shareholding in subsidiaries are as follows:

Company’s name	Nature of business	Country of incorporation	Percentage of shareholding	
			31 March 2015	31 December 2014
Directly owned			%	%
PRG Granary Co., Ltd.	Warehouse rental	Thailand	99.99	99.99
MBK Food and Entertainment Co., Ltd.	Food center	Thailand	75.00	75.00
MBK Food Island Co., Ltd.	Food Center	Thailand	99.98	99.98
MBK Food System Co., Ltd.	Restaurant	Thailand	60.00	60.00
Indirectly owned				
owned by PRG Granary Co., Ltd.				
Ratchsima Rice Co., Ltd.	Distributor of rice, plant and machinery rental	Thailand	99.99	99.99
Sima Pac Co., Ltd.*	Manufacturer and distributor of plastic bag	Thailand	49.99	49.99
owned by Ratchsima Rice Co., Ltd.				
Innofood (Thailand) Co., Ltd.	Distributor of rice and development of product from rice	Thailand	99.99	99.99
owned by MBK Food and Entertainment Co., Ltd.				
MBK Restaurant Group Co., Ltd. (Formerly known as “MBK Suki Number One Co., Ltd.)	Restaurant	Thailand	99.99	99.99

* The Company has the ability to control the financial and operating policies of Sima Pac Co., Ltd. through the Board of Directors of this company.

1.4 New financial reporting standards

During the period, the Company has adopted the revised and new financial reporting standards issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2015. 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. However, some of these standards involve changes to key principles, which are summarised below:

TAS 19 (revised 2014) Employee Benefits

This revised standard requires that the entity recognize actuarial gains and losses immediately in other comprehensive income while the existing standard allows the entity to recognise such gains and losses immediately in either profit or loss or other comprehensive income, or to recognise them gradually in profit or loss.

This revised standard does not have any impact on the financial statements as the Company and its subsidiaries already recognise actuarial gains and losses immediately in other comprehensive income.

TFRS 10 Consolidated Financial Statements

TFRS 10 prescribes requirements for the preparation of consolidated financial statements and replaces the content of *TAS 27 Consolidated and Separate Financial Statements* dealing with consolidated financial statements. This standard changes the principles used in considering whether control exists. Under this standard, an investor is deemed to have control over an investee if it has rights, or is exposed, to variable returns from its involvement with the investee, and it has the ability to direct the activities that affect the amount of its returns, even if it holds less than half of the shares or voting rights. This important change requires the management to exercise a lot of judgement when reviewing whether the Company and its subsidiaries have control over investees and determining which entities have to be included in preparation of the consolidated financial statements.

This standard does not have any impact on the Company's and its subsidiaries' financial statements.

TFRS 12 Disclosure of Interests in Other Entities

This standard stipulates disclosures relating to an entity's interests in subsidiaries, joint arrangements and associates, including structured entities. This standard therefore has no financial impact on the financial statements of the Company and its subsidiaries.

TFRS 13 Fair Value Measurement

This standard provides guidance on how to measure fair value and stipulates disclosures related to fair value measurement. Entities are to apply the guidance under this standard if they are required by other financial reporting standards to measure their assets or liabilities at fair value. The effects of the adoption of this standard are to be recognised prospectively.

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

1.5 Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2014.

2. Related party transactions

During the period, the Group had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those companies.

(Unit: Thousand Baht)

	For the three-month periods ended 31 March				Transfer pricing policy
	Consolidated		Separate		
	financial statements		financial statements		
	2015	2014	2015	2014	
Transactions with parent company					
Sales	506	317	195	273	Market price or prices which approximated market
Service expenses	18,216	14,589	118	111	Contract price
Transactions with subsidiaries					
(eliminated from the consolidated financial statements)					
Rental income	-	-	1,086	241	Contract price
Service income	-	-	1,410	348	Contract price
Interest income	-	-	1,028	4,885	MLR of a commercial bank
Purchase of raw materials	-	-	198,303	91,509	Market price or prices which approximated market prices
Sales	-	-	32,205	172	Market price or prices which approximated market prices
Rental expenses	-	-	926	889	Contract rate with reference to the rates charged to third parties
Interest income	-	-	1,028	-	MLR of a commercial bank
Interest expenses	-	-	1,671	-	Market price or prices which approximated market prices

(Unaudited but reviewed)

(Unit: Thousand Baht)

	For the three-month periods ended 31 March				Transfer pricing policy
	Consolidated		Separate		
	financial statements		financial statements		
	2015	2014	2015	2014	
Transactions with related companies					
Sales	292	513	226	513	Market price or prices which approximated market prices
Service expenses	5,282	1,687	1,291	1,490	Contract price

The outstanding balances of the above transactions have been presented in the statements of financial position as at 31 March 2015 and 31 December 2014 as follows:

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2015	2014	2015	2014
Trade and other receivables - related parties				
Parent company	269	1,582	144	815
Subsidiaries	-	-	2,300	472
Related parties (under common control)	172	167	144	134
Total	441	1,749	2,588	1,421
Trade and other payables - related parties				
Parent company	1,707	6,325	-	-
Subsidiaries	-	-	36,606	15,450
Related parties (under common control)	2,553	377	1,401	270
Total	4,260	6,702	38,007	15,720

Short-term loan to a subsidiary

Movement of short-term loan to a subsidiary as at 31 March 2015 was as follows:

(Unit: Thousand Baht)

	Separate financial statements			
	Balance as at	During the period		Balance as at
	31 December			31 March
	2014	Increase	Decrease	2015
Short-term loan to subsidiary				
PRG Granary Company Limited	-	125,880	(500)	125,380

Short-term loan to PRG Granary Company Limited carries interest at MLR rate of a local commercial bank and due at call.

Short-term loans from related persons

Short-term loans from related persons amounting to Baht 4 million are loans from directors of Sima Pac Company Limited, a subsidiary, carry interest at MLR rate of a local commercial bank and due at call.

As at 31 March 2015, the outstanding balance and movement of short-term loans from related persons are as follows:

(Unit: Thousand Baht)

	Consolidated financial statements			
	Balance as at	During the period		Balance as at
	31 December	Increase	Decrease	31 March
	2014			2015
Short-term loans from related persons				
Sima Pac Co., Ltd.	4,000,000	-	-	4,000,000

Short-term loans from subsidiaries

Movements of short-term loans from subsidiaries as at 31 March 2015 were as follows:

(Unit: Thousand Baht)

	Related by	Separate financial statements			
		Balance as at	During the period		Balance as at
		31 December	Increase	Decrease	31 March
		2014			2015
Loans from subsidiaries					
MBK Food and Entertainment Co., Ltd.	Subsidiary	34,500	13,000	(41,000)	6,500
MBK Food System Co., Ltd.	Subsidiary	22,000	-	(7,000)	15,000
MBK Food Island Co., Ltd.	Subsidiary	235,000	26,500	(191,500)	70,000
PRG Granary Co., Ltd.	Subsidiary	4,620	-	(4,620)	-
MBK Restaurant Group Co., Ltd. (Formerly known as "MBK Suki Number One Co., Ltd.")	Subsidiary	6,000	2,500	(6,500)	2,000
		302,120	42,000	(250,620)	93,500

Prepaid rental fee

On 2 April 2013, MBK Food Island Company Limited, a subsidiary, entered into a long-term space rental agreement, a long-term building equipment and systems rental agreement, and a long-term promotion and development space agreement with MBK Public Company Limited, for periods of 20 years (from 21 April 2013 to 20 April 2033). Under these agreements the Company is required to pay prepaid rental fees over the terms of the contracts, totaling Baht 260 million. As at the date of the agreements date, the subsidiary classified the leases as operating leases, for which the rental payments are recognised as an expense on a straight-line basis over the lease period.

(Unaudited but reviewed)

On 29 October 2014, MBK Food Island Company Limited, a subsidiary, entered into a long-term space rental agreement, a long-term building equipment and systems rental agreement, and a long-term promotion and development space agreement with MBK Public Company Limited, for periods of 18 years (from 1 September 2014 to 20 April 2033). Under these agreements the Company is required to pay prepaid rental fees over the terms of the contracts, totaling Baht 176 million. As at the date of the agreements date, the subsidiary classified the leases as operating leases, for which the rental payments are recognised as an expense on a straight-line basis over the lease period.

	(Unit: Thousand Baht)	
	31 March 2015	31 December 2014
Prepaid rental fee - Beginning of period/year	237,933	250,924
Prepaid rental fee increase	173,191	-
Less: Accumulated amortisation	(5,212)	(12,991)
Net book value	405,912	237,933
Amortisation for the period/year	5,212	12,991

Directors and management's remuneration

During the three-month period ended 31 March 2015, the Company and its subsidiaries had meeting allowance of directors, salaries, bonus, and provision for post-employee benefits of their key management personnel recognised as expenses totalling Baht 6 million (2014: Baht 5 million).

3. Cash and cash equivalents

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Cash on hand	1,517	2,554	110	110
Bank deposits	45,863	44,047	6,274	4,319
Total	47,380	46,601	6,384	4,429

Bank deposits include savings accounts and fixed deposits. The savings account carried interest 0.38 percent per annum (31 December 2014: 0.38 percent per annum) and fixed deposits carried interest at 1.10 - 2.60 percent per annum (31 December 2014: 1.10 - 2.60 percent per annum).

4. Current investments

(Unit: Thousand Baht)

	Consolidated financial statements			
	31 March 2015		31 December 2014	
	Cost	Fair values	Cost	Fair values
Trading securities				
Equity securities	29,601	30,071	-	-
Add: Unrelised gains	470	-	-	-
Current investments	<u>30,071</u>	<u>30,071</u>	<u>-</u>	<u>-</u>

5. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Trade receivables - related parties				
Aged on the basis of due dates				
Not yet due	441	1,124	293	950
Past due				
Up to 3 months	-	7	-	7
Total trade receivables - related parties	<u>441</u>	<u>1,131</u>	<u>293</u>	<u>957</u>
Trade receivables - unrelated parties				
Aged on the basis of due dates				
Not yet due	91,648	227,395	87,644	225,434
Past due				
Up to 3 months	46,532	29,108	45,139	25,061
3 - 6 months	975	1,189	975	1,189
6 - 12 months	763	103	763	103
Over 12 months	843	962	843	962
Total	<u>140,761</u>	<u>258,757</u>	<u>135,364</u>	<u>252,749</u>
Less: Allowance for doubtful debts	<u>(992)</u>	<u>(1,000)</u>	<u>(992)</u>	<u>(1,000)</u>
Total trade receivables - unrelated parties, net	<u>139,769</u>	<u>257,757</u>	<u>134,372</u>	<u>251,749</u>
Total trade receivables - net	<u>140,210</u>	<u>258,888</u>	<u>134,665</u>	<u>252,706</u>
Other receivables				
Other receivables - related parties	-	618	2,295	464
Other receivables - unrelated parties	12,434	11,770	7,908	7,916
Total other receivables	<u>12,434</u>	<u>12,388</u>	<u>10,203</u>	<u>8,380</u>
Total trade and other receivables - net	<u>152,644</u>	<u>271,276</u>	<u>144,868</u>	<u>261,086</u>

6. Inventories

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Cost	256,955	175,801	110,985	154,678
Less: Diminution in value of inventories	(3,081)	(7,081)	(1,550)	(5,550)
Inventories - net	<u>253,874</u>	<u>168,720</u>	<u>109,435</u>	<u>149,128</u>

Movements in diminution in value of inventories during the three-month period ended 31 March 2015 are summarised below.

(Unit: Thousand Baht)

	Consolidated	Separate
	financial statements	financial statements
Balance as at 1 January 2015	7,081	5,550
Decreased in diminution in value of inventories	(4,000)	(4,000)
Balance as at 31 March 2015	<u>3,081</u>	<u>1,550</u>

The Company has pledged inventories of approximately Baht 95 million (31 December 2014: Baht 141 million) to secure a loan facility from a bank, as discussed in Note 11.

7. Investments in subsidiaries

Detail of investments in subsidiaries is presented in separate financial statements are as follows:

(Unit: Thousand Baht)

Company's name	Paid up capital		Shareholding percentage		Cost		Dividend income for the three-month periods ended	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 March 2014
			%	%				
PRG Granary Co., Ltd.	250,000	250,000	99.99	99.99	239,637	239,637	-	-
MBK Food and Entertainment Co., Ltd.	50,000	50,000	75.00	75.00	84,752	84,752	-	-
MBK Food Island Co., Ltd.	500,000	500,000	99.99	99.99	498,685	498,685	-	-
MBK Food System Co., Ltd.	100,000	100,000	60.00	60.00	60,000	60,000	-	-
Total					<u>883,074</u>	<u>883,074</u>	<u>-</u>	<u>-</u>

Acquisition of subsidiaries during the year 2014**MBK Restaurant Group Company Limited (Formerly known as “MBK Suki Number One Company Limited”)**

On 2 October 2014, the meeting of the Board of the Directors of MBK Food and Entertainment Company Limited passed a resolution to approve the purchase of ordinary shares of MBK Restaurant Group Company Limited (Formerly known as “MBK Suki Number One Company Limited”) from MBK Public Company Limited total 100,000 ordinary shares at 86.95 Baht per share, or for a total of Baht 8.69 million.

Estimates of fair values of the assets acquired and the liabilities assumed on the acquisition date of MBK Restaurant Group Company Limited (Formerly known as “MBK Suki Number One Company Limited”) are presented below.

	(Unit: Baht)
Cash and cash equivalents	8,106,261
Trade and other receivables	526,339
Other current assets	184,092
Other non-current assets	4,000
Total assets	<u>8,820,692</u>
Trade and other payables	126,027
Total liabilities	<u>126,027</u>
Net assets value	<u>8,694,665</u>
Cost of business combination	8,694,665
Less: Net assets value	<u>(8,694,665)</u>
Goodwill	<u>-</u>
Reconcile net cash	
Cash paid for acquisition of the subsidiary	8,694,665
Less: Cash and cash equivalents of the subsidiary	<u>8,106,261</u>
Net cash paid for acquisition of the subsidiary	<u><u>588,404</u></u>

As required by the relevant financial reporting standard, the Company measured the fair value of identifiable assets and liabilities on the acquisition date. A fair value adjustment is in the process of being prepared and will be completed within a period of 12 months from the acquisition date, as required under Thai Financial Reporting Standard No. 3 (Revised 2014).

On 21 October 2014, the Extraordinary General Meeting of shareholders of MBK Food Island Company Limited passed a resolution to approve for the company to increase its registered capital from Baht 1.5 million to Baht 500 million, through the issuance of 4,985,000 new ordinary shares with a par value of Baht 100 each, total amounting to Baht 498.5 million. The share allocation to the Company totaled 4,985,000 new ordinary shares with a par value of Baht 100 each, total amounting to Baht 498.5 million. The Company paid in the called-up share subscription on 21 October 2014 and the subsidiary registered the paid up capital with the Ministry of Commerce on 24 October 2014.

On 21 October 2014, the Extraordinary General Meeting of shareholders of MBK Food System Company Limited passed a resolution to approve for the company to increase its registered capital from Baht 60 million to Baht 100 million, through the issuance of 400,000 new ordinary shares with a par value of Baht 100 each, total amounting to Baht 40 million. The share allocation to the Company totaled 240,000 new ordinary, total amounting to Baht 24 million, or 60% of total new shares. The Company paid in the called-up share subscription on 21 October 2014 and the subsidiary registered the paid up capital with the Ministry of Commerce on 24 October 2014. However, the Company's shareholding interest will remain no change.

Goodwill

(Unit: Thousand Baht)

	Consolidated financial statements	
	31 March 2015	31 December 2014
Innofood (Thailand) Co., Ltd.	240	240
MBK Food and Entertainment Co., Ltd.	53,181	53,181
Goodwill	53,421	53,421

8. Investment in parent company - available-for-sale security

(Unit: Thousand Baht)

Nature of business	Consolidated financial statements					
	Shareholding percentage		Investments		Dividend income for the three-month periods ended	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 March 2014
MBK Public Company Limited						
Property rental and development	26.47	26.47	955,416	955,416		
Add: Unrealised gain on change in value of investment			6,034,077	6,333,627		
			6,989,493	7,289,043	-	-

(Unit: Thousand Baht)

		Separate financial statements					
Nature of business	Shareholding percentage		Investments		Dividend income for the three-month periods ended		
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 March 2014	
	%	%					
MBK Public Company Limited	Property rental and development	25.14	25.14	907,574	907,574		
Add: Unrealised gain on change in value of investment				5,731,919	6,016,469		
				<u>6,639,493</u>	<u>6,924,043</u>	<u>-</u>	<u>-</u>

Although the Company invests more than 20% of ordinary shares of the parent company and has certain common directors, the investment in parent company is long-term investment in marketable equity security and is not classified as associate because the Company has no ultimately significant influence in participating in the finance and operation policy decisions of the parent company.

As at 31 March 2015, the Company has pledged its investment in the listed security of parent company and enter into a negative pledge agreement on such listed securities totalling 348 million shares, with value at end of reporting period amounting to Baht 4,872 million (31 December 2014: 348 million shares, Baht 5,081 million) to secure bank overdraft and short-term loan facilities from banks, as discussed in Note 11.

9. Investment properties

Movements of the investment properties account during the three-month period ended 31 March 2015 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2015	40,720	30,766
Depreciation for the period	(516)	(51)
Net book value as at 31 March 2015	<u>40,204</u>	<u>30,715</u>

10. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2015 are summarised below.

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Net book value as at 1 January 2015	325,523	185,918
Acquisitions during the period - at cost	10,546	237
Disposal during the period - net book value at disposal date	(13)	-
Depreciation for the period	<u>(10,113)</u>	<u>(4,319)</u>
Net book value as at 31 March 2015	<u>325,833</u>	<u>181,836</u>

11. Bank overdrafts and short-term loans from banks

	(Unit: Thousand Baht)					
	Interest rate		Consolidated		Separate	
	31 March	31 December	financial statements		financial statements	
	2015	2014	31 March	31 December	31 March	31 December
	(% per	(% per	2015	2014	2015	2014
	annum)	annum)				
Bank overdrafts	6.625	7.425	223	76	223	76
Short-term loans from banks	2.25	2.39 - 2.40	<u>693,000</u>	<u>513,000</u>	<u>693,000</u>	<u>513,000</u>
Total			<u>693,223</u>	<u>513,076</u>	<u>693,223</u>	<u>513,076</u>

Bank overdrafts and short-term loan facilities from banks of the Company and subsidiaries are secured by the pledge of inventories and listed securities of the Company as discussed in Notes 6 and 8.

12. Corporate income tax/Deferred income tax

Corporate income tax of the Company and its subsidiaries for the three-month period ended 31 March 2015 is at 20% (2014: 20%). However, the Company and subsidiaries are not liable to corporate income tax for the period because they have tax loss on tax computation or tax loss brought forward from previous years over tax profit for the current period.

The movements on deferred income tax are as follows:

	(Unit: Thousand Baht)	
	Consolidated	Separate
	<u>financial statements</u>	<u>financial statements</u>
Deferred income tax asset		
Balance as at 1 January 2015	3,829	3,063
Provision for long-term employee benefits	282	91
Balance as at 31 March 2015	<u>4,111</u>	<u>3,154</u>
Deferred income tax liabilities		
Balance as at 1 January 2015	1,250,544	1,203,294
Unrealised gain from investment in available-for-sale security	(59,910)	(56,910)
Balance as at 31 March 2015	<u>1,190,634</u>	<u>1,146,384</u>

13. Share capital

On 30 April 2014, the Annual General Meeting of the Company's shareholders passed a resolution to approve the change of the par value of the Company's shares from Baht 10 each to Baht 1 each. Therefore, the registered ordinary shares will be changed from 90,000,000 shares to 900,000,000 shares and the paid-up ordinary shares will be changed from 60,000,000 shares to 600,000,000 shares. On 14 May 2014, the Company registered the share capital with the Ministry of Commerce.

14. 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.

For management purposes, the Company and its subsidiaries are organised into business units based on their products and services and have three reportable segments: (1) development of product from rice and rice packaging (2) manufacturing and distribution of plastic bag and (3) Food Center. These operations are mainly carried on in Thailand.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements. However, the Company and its subsidiaries' financing activities (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

The following tables present revenue and profit information regarding the Company and its subsidiaries' operating segments for the three-month periods ended 31 March 2015 and 2014, respectively.

(Unaudited but reviewed)

(Unit: Thousand Baht)

For the three-month periods ended 31 March

	Processing and packaging of rice		Manufacturing and distribution of plastic bag		Food center		Elimination of inter-segment revenues		Consolidated financial statements	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from external customers	334,933	339,553	13,539	16,729	96,732	60,075	-	-	445,204	416,357
Inter-segment revenues	23	-	6,523	2,706	-	-	(6,546)	(2,706)	-	-
Total revenues	334,956	339,553	20,062	19,435	96,732	60,075	(6,546)	(2,706)	445,204	416,357
Segment gross profit (loss)	67,929	56,000	2,231	(523)	11,939	828	(1,363)	95	80,736	56,400
Unallocated income (expenses):										
Other income									5,611	8,158
Selling expenses									(52,259)	(44,490)
Administrative expenses									(25,715)	(19,323)
Finance cost									(3,097)	(4,477)
Net loss before income tax expenses									5,276	(3,732)
Income tax expenses (revenue)									(1,287)	48
Net profit (loss) for the period									3,989	(3,684)

The following table presents segment assets of the Company and its subsidiaries' operating segments as at 31 March 2015 and 31 December 2014:

(Unit: Thousand Baht)

	Processing and packaging of rice		Manufacturing and distribution of plastic bag		Food center		Elimination of inter-segment revenues		Consolidated financial statements	
	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014	31 March 2015	31 December 2014
Property, plant and equipment	223,825	228,144	28,962	30,346	73,046	67,033	-	-	325,833	325,523
Prepaid rental fee	-	-	-	-	405,912	237,933	-	-	405,912	237,933
Unallocated assets										
- Investment in parent company - available-for-sale security									6,989,493	7,289,043
- Other assets									698,439	667,925
Total assets									8,419,677	8,520,424

Transfer prices between business segments are as set out in Note 2.

15. Commitments and contingent liabilities

15.1 Capital commitments

As at 31 March 2015, the Company had capital commitments of approximately Baht 4 million (31 December 2014: Baht 4 million) relating to design and decoration of space and acquisition of computer system.

15.2 Operating lease commitments

A subsidiary has entered into several lease agreements in respect of the lease of building space and equipment. The terms of the agreements are 3 and 20 years.

As at 31 March 2015, future minimum lease payments required under these non-cancellable operating leases contracts were as follows.

	(Unit: Million Baht)
Payable:	
In up to 1 year	67.6
In over 1 and up to 5 years	123.6
In over 5 years	237.0

15.3 Long-term service commitments

A subsidiary has entered into license and technical assistance agreements with an overseas related company for the use of a trademark, training and providing of information related to restaurant business operation. Under the conditions of the license agreement, the subsidiary is to pay royalty fee at the rate as stipulated in the agreement.

15.4 Guarantees

As at 31 March 2015, there were outstanding bank guarantees of approximately Baht 15 million (31 December 2014: Baht 19 million) issued by the banks on behalf of the Company and its subsidiaries (Separate financial statements: Baht 14 million (31 December 2014: Baht 18 million)) in respect of utilities payment of the Company and its subsidiaries.

16. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period, after adjusting the number of ordinary shares in proportion to the change in the par value of the shares from Baht 10 to Baht 1 per share as discussed in Note 13, because these change were occurred after the end of the reporting period but before the financial statements were authorised for issue. The number of ordinary shares of the prior year used for the calculation, as presented for comparative purposes, has been adjusted in proportion to the change in the par value of the shares as a result of the change in the par value of the shares had been occurred at the beginning of the earliest period reported.

The following table sets forth the computation of basic earnings per share for the three-month periods ended 31 March 2015 and 2014:

	Profit (loss) for the period		Weighted average number of ordinary shares		Earnings per share	
	2015	2014	2015	2014	2015	2014
	(Thousand Baht)	(Thousand Baht)	(Thousand shares)	(Thousand shares)	(Baht)	(Baht)
Consolidated						
financial statements	5,480	(1,642)	600,000	600,000	<u>0.009</u>	<u>(0.003)</u>
Separate						
financial statements	3,538	3,119	600,000	600,000	<u>0.006</u>	<u>0.005</u>

17. Foreign currency risk

The Group's exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Group seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets denominated in foreign currencies as at 31 March 2015 are summarised below.

Currency	Financial assets	Exchange rate
	(Thousand)	as at 31 March 2015
		(Baht per 1 foreign currency unit)
US dollar	1,369	32.3153

Forward exchange contracts which remained outstanding as at 31 March 2015 are summarised below.

Currency	Sold amount (Thousand)	Forward contract exchange rate (Baht per 1 foreign currency unit)	Maturity date
US dollar	2,679	32.7118 - 33.0947	9 June 2015 - 2 October 2015

18. Events after the reporting period

On 9 April 2015, the Annual General Meeting of the Company's shareholders passed a resolution to approve a dividend payment for the six-month period ended 31 December 2014 for the 600 million shares held by the Company's shareholders, amounting to Baht 0.25 per share, or a total of Baht 150 million, which such dividend payment will be recorded in the next quarter. Such dividend will be paid on 28 April 2015

19. Fair value of financial instruments

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

Fair value hierarchy

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

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

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

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

(Unaudited but reviewed)

As of 31 March 2015, the Company and its subsidiaries had the following assets that were measured at fair value using different levels of inputs as follows:

(Unit: Thousand Baht)

	Consolidated Financial Statements			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Trading investments				
Equity instruments	30,071	-	-	30,071
Available-for-sale investments				
Equity instruments	6,989,493	-	-	6,989,493

(Unit: Thousand Baht)

	Separate Financial Statements			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Available-for-sale investments				
Equity instruments	6,639,493	-	-	6,639,493

During the current period, there were no transfers within the fair value hierarchy.

20. Approval of interim financial statements

These interim financial statements were authorised by the Audit Committee of the Company on 11 May 2015.