

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

FINANCIAL STATEMENTS

AND REPORT OF CERTIFIED PUBLIC ACCOUNTANT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

EXPRESSED IN THAI BAHT

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS**

**AS AT DECEMBER 31, 2006 AND 2005**

		IN BAHT			
		CONSOLIDATED		THE COMPANY ONLY	
<u>ASSETS</u>	Notes	2006	2005	2006	2005
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	208,458,965	173,888,186	181,007,023	141,629,533
Trade accounts receivable - related companies	4.2,6	16,693,088	20,372,930	21,080,541	21,985,601
- other companies-net	6	38,077,020	75,072,666	33,268,904	43,982,919
Inventories-net	7	302,892,768	274,969,754	302,892,768	267,570,846
Other current assets					
Accounts receivable - planters- net	8	22,838,172	26,177,890	22,838,172	26,177,890
Receivables from sales of investments		-	1,298,736	-	1,298,736
Value added tax receivable		3,385,924	1,669,797	3,306,182	1,188,668
Others		3,239,399	4,460,452	3,097,901	1,520,298
Total other current assets		29,463,495	33,606,875	29,242,255	30,185,592
<b>TOTAL CURRENT ASSETS</b>		595,585,336	577,910,411	567,491,491	505,354,491
<b>NON - CURRENT ASSETS</b>					
Investments in subsidiaries at equity method	9	-	-	30,899,068	76,778,665
Long-term loan to related company	4.2	24,500,000	-	24,500,000	24,500,000
Property, plant and equipment - net	10	578,303,076	747,570,604	577,362,938	579,506,429
Intangible assets - net	11	1,196,745	1,774,298	1,196,745	1,534,907
Other non - current assets					
Fixed deposits pledged as collateral	24.1	3,118,892	4,675,988	-	-
Others		1,658,236	3,700,933	1,627,336	2,682,684
Total other non - current assets		4,777,128	8,376,921	1,627,336	2,682,684
<b>TOTAL NON - CURRENT ASSETS</b>		608,776,949	757,721,823	635,586,087	685,002,685
<b>TOTAL ASSETS</b>		1,204,362,285	1,335,632,234	1,203,077,578	1,190,357,176

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**BALANCE SHEETS(CONTINUED)**

**AS AT DECEMBER 31, 2006 AND 2005**

<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>	<b>Notes</b>	<b>IN BAHT</b>			
		<b>CONSOLIDATED</b>		<b>THE COMPANY ONLY</b>	
		<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>CURRENT LIABILITIES</b>					
Bank Overdrafts	12	-	20,627,792	-	-
Trade accounts payable		29,333,382	58,768,380	29,333,382	40,921,656
Current portion of liabilities under finance lease agreements	13	-	1,634,679	-	-
Current portion of long-term loan	14	-	13,200,000	-	-
Other current liabilities					
Accrued income tax and accrued expenses		36,844,109	41,224,394	35,696,413	33,364,433
Others		1,581,873	4,592,189	1,444,862	6,455,885
Total other current liabilities		38,425,982	45,816,583	37,141,275	39,820,318
<b>TOTAL CURRENT LIABILITIES</b>		<b>67,759,364</b>	<b>140,047,434</b>	<b>66,474,657</b>	<b>80,741,974</b>
<b>NON - CURRENT LIABILITIES</b>					
Liabilities under finance lease agreements - net	13	-	797,188	-	-
Long - term loan from financial institution - net	14	-	12,600,000	-	-
Long - term loans from related company	4.2	-	25,500,000	-	-
<b>TOTAL NON - CURRENT LIABILITIES</b>		<b>-</b>	<b>38,897,188</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>67,759,364</b>	<b>178,944,622</b>	<b>66,474,657</b>	<b>80,741,974</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital					
Authorized shares					
Common share 315,000,000 shares, Baht 1 par value	15	315,000,000	315,000,000	315,000,000	315,000,000
Issued and paid - up shares					
Common share 314,997,360 shares, Baht 1 par value		314,997,360	314,997,360	314,997,360	314,997,360
Premium on share capital		68,000,000	68,000,000	68,000,000	68,000,000
Retained earnings					
Appropriated for legal reserve	17	30,710,000	25,420,000	30,710,000	25,420,000
Unappropriated		722,895,561	701,197,842	722,895,561	701,197,842
Total parent's shareholders' equity		1,136,602,921	1,109,615,202	1,136,602,921	1,109,615,202
Minority interest	18	-	47,072,410	-	-
Total Shareholders' Equity		1,136,602,921	1,156,687,612	1,136,602,921	1,109,615,202
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,204,362,285</b>	<b>1,335,632,234</b>	<b>1,203,077,578</b>	<b>1,190,357,176</b>

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

		IN BAHT			
		CONSOLIDATED		THE COMPANY ONLY	
	<u>Note</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>REVENUES</b>					
Sales and service income		1,320,368,088	1,306,597,926	1,047,810,887	1,083,917,233
Share of profit from investments in subsidiary at equity method		-	-	-	9,700,021
Gain on exchange rate		15,273,826	1,856,014	15,273,826	1,335,183
Interest income		4,064,812	948,311	4,105,881	1,473,895
Other income		8,520,559	14,200,810	4,767,778	11,152,142
Total revenues		<u>1,348,227,285</u>	<u>1,323,603,061</u>	<u>1,071,958,372</u>	<u>1,107,578,474</u>
<b>EXPENSES</b>					
Cost of sales and services		967,878,240	980,446,844	749,040,120	809,520,193
Selling and administrative expenses		261,203,166	273,770,821	173,499,535	177,673,999
Share of loss of investments in subsidiaries at equity method		-	-	17,502,499	27,408,212
Loss on disposal of investment	9	21,377,098	-	21,377,098	-
Director's remuneration		4,800,000	4,400,000	4,800,000	4,400,000
Total expenses		<u>1,255,258,504</u>	<u>1,258,617,665</u>	<u>966,219,252</u>	<u>1,019,002,404</u>
<b>Income before interest expenses and income tax</b>		92,968,781	64,985,396	105,739,120	88,576,070
Interest expenses		(4,768,785)	(4,183,406)	(2,061)	(190,029)
Income tax		-	(942,864)	-	-
<b>Income after income tax</b>		88,199,996	59,859,126	105,737,059	88,386,041
Minority interest in net loss of subsidiary		17,537,063	28,526,915	-	-
<b>NET INCOME</b>		<u><u>105,737,059</u></u>	<u><u>88,386,041</u></u>	<u><u>105,737,059</u></u>	<u><u>88,386,041</u></u>
<b>BASIC EARNINGS PER SHARE</b>					
NET INCOME		<u>0.34</u>	<u>0.32</u>	<u>0.34</u>	<u>0.32</u>
<b>Weighted average number of common shares</b>	shares	<u><u>314,997,360</u></u>	<u><u>277,025,712</u></u>	<u><u>314,997,360</u></u>	<u><u>277,025,712</u></u>

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

		IN BAHT					
		Issued and	Premium	Retained earnings			
		paid-up	on share	Appropriated		Minority	
Notes		share capital	capital	for legal reserve	Unappropriated	interest	Total
BALANCE as at January 1, 2005		210,000,000	68,000,000	21,000,000	774,729,161	69,224,325	1,142,953,486
Stock dividends	15	104,997,360	-	-	(104,997,360)	-	-
Dividends paid	16	-	-	-	(52,500,000)	-	(52,500,000)
Net income		-	-	-	88,386,041	-	88,386,041
Appropriated for legal reserve	17	-	-	4,420,000	(4,420,000)	-	-
Minority interest from investment in subsidiary		-	-	-	-	6,375,000	6,375,000
Minority interest in net loss of subsidiary		-	-	-	-	(28,526,915)	(28,526,915)
BALANCE as at December 31, 2005		<u>314,997,360</u>	<u>68,000,000</u>	<u>25,420,000</u>	<u>701,197,842</u>	<u>47,072,410</u>	<u>1,156,687,612</u>
BALANCE as at January 1, 2006		314,997,360	68,000,000	25,420,000	701,197,842	47,072,410	1,156,687,612
Dividends paid	16	-	-	-	(78,749,340)	-	(78,749,340)
Net income		-	-	-	105,737,059	-	105,737,059
Appropriated for legal reserve	17	-	-	5,290,000	(5,290,000)	-	-
Minority interest in net loss of subsidiary		-	-	-	-	(17,537,063)	(17,537,063)
Decrease in Minority interest from sale of subsidiary		-	-	-	-	(29,535,347)	(29,535,347)
BALANCE as at December 31, 2006		<u>314,997,360</u>	<u>68,000,000</u>	<u>30,710,000</u>	<u>722,895,561</u>	<u>-</u>	<u>1,136,602,921</u>

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

		IN BAHT				
		Issued and	Premium	Retained earnings		
		paid - up	on share	Appropriated		
Notes		share capital	capital	for legal reserve	Unappropriated	Total
BALANCE as at January 1, 2005		210,000,000	68,000,000	21,000,000	774,729,161	1,073,729,161
Stock dividends	15	104,997,360	-	-	(104,997,360)	-
Dividends paid	16	-	-	-	(52,500,000)	(52,500,000)
Net income		-	-	-	88,386,041	88,386,041
Appropriated for legal reserve	17	-	-	4,420,000	(4,420,000)	-
BALANCE as at December 31, 2005		314,997,360	68,000,000	25,420,000	701,197,842	1,109,615,202
BALANCE as at January 1, 2006		314,997,360	68,000,000	25,420,000	701,197,842	1,109,615,202
Dividends paid	16	-	-	-	(78,749,340)	(78,749,340)
Net income		-	-	-	105,737,059	105,737,059
Appropriated for legal reserve	17	-	-	5,290,000	(5,290,000)	-
BALANCE as at December 31, 2006		314,997,360	68,000,000	30,710,000	722,895,561	1,136,602,921

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	IN BAHT		
	CONSOLIDATED		THE COMP.
	2006	2005	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	105,737,059	88,386,041	105,737,059
Adjustments to reconcile net income to net cash provided by operating activities			
Unrealized loss(gain) on exchange rate	(161,064)	267,610	(140,902)
Bad debts and doubtful accounts (Reversal)	350,841	799,077	350,841
Provision for obsolescence (Reversal)	67,958	(1,086,497)	67,958
Loss on disposal of investment	21,377,098	-	21,377,098
Gain on disposal of equipment	(1,991,256)	(2,394)	(1,446,126)
Loss on written off assets	6,198,086	-	6,198,086
Depreciation	91,825,632	91,594,661	67,483,830
Amortization of intangible assets	443,428	232,342	338,162
Share of profit from investments in subsidiary at equity method	-	-	-
Share of loss from investments in subsidiaries at equity method	-	-	17,502,499
Minority interest in net loss of subsidiary	(17,537,063)	(28,526,915)	-
Income from operating activities before change in operational assets and liabilities	206,310,719	151,663,925	217,468,505
Decrease (Increase) in operational assets			
Trade accounts receivable - Related companies	3,679,842	1,755,719	905,060
Trade accounts receivable - Other companies	(12,264,414)	(788,281)	10,798,661
Inventories	(37,932,149)	(23,139,575)	(35,389,880)
Accounts receivable - planters	2,988,877	6,966,148	2,988,877
Other current assets	(2,315,480)	20,847,290	(3,695,117)
Other non - current assets	553,167	1,390,572	1,055,348
Increase (Decrease) in operational liabilities			
Trade accounts payable	11,576,797	(14,766,586)	(12,397,940)
Accrued income tax and accrued expenses	5,478,149	5,650,702	2,388,236
Other current liabilities	531,134	204,958	(5,011,023)
Net cash provided by operating activities	178,606,642	149,784,872	179,110,727

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS (CONTINUED)**

**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	IN BAHT		
	CONSOLIDATED		THE COMP.
	2006	2005	2006
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in investment in subsidiary	-	-	-
Increase in long - term loan to related company	-	-	-
Decrease in deposits at financial institutions-fixed deposits	1,028,093	339,678	-
Proceeds from receivable from disposal of investment	1,298,736	2,692,712	1,298,736
Proceeds from disposal of investment in subsidiary	-	-	7,000,000
Proceeds from disposal of investment in subsidiary, net of susidiary's cash balance (cash flows information 3)	3,349,205	-	-
Proceeds from disposal of equipment	2,341,939	1,490,078	1,491,939
Cash paid for acquisition of intangible assets	-	(2,006,640)	-
Cash paid for acquisition of plant and equipment (cash flows information 2)	(79,494,637)	(166,286,727)	(70,774,572)
Net cash used in investing activities	(71,476,664)	(163,770,899)	(60,983,897)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase(Decrease) in bank overdrafts	7,924,992	(13,390,335)	-
Repayment liabilities under finance lease agreements	(1,634,851)	(1,900,880)	-
Repayment of long-term loan from financial institution	(13,200,000)	(12,100,000)	-
Proceeds from long - term loan from related company	13,100,000	25,500,000	-
Dividends paid	(78,749,340)	(52,500,000)	(78,749,340)
Cash received for share capital from minority interest	-	6,375,000	-
Net cash used in financing activities	(72,559,199)	(48,016,215)	(78,749,340)
Net increase (decrease) in cash and cash equivalents	34,570,779	(62,002,242)	39,377,490
Cash and cash equivalents, beginning of year	173,888,186	235,890,428	141,629,533
Cash and cash equivalents, end of year	208,458,965	173,888,186	181,007,023
<u>Supplement disclosures of cash flows information</u>			
<u>1.Cash paid during the year for :-</u>			
Interest expense	4,723,420	4,527,992	2,061
Corporate income tax	1,001,861	209,295	67,138
<u>2. Property, Plant and Equipment</u>			
Detail of acquisition of plant and equipment during the year are as follows :			
Acquisition of plant and equipment during the year	(80,756,653)	(166,433,804)	(71,584,238)
<u>Less</u> outstanding liabilities	1,262,016	147,077	809,666
Cash paid for acquisition of plant and equipment	(79,494,637)	(166,286,727)	(70,774,572)



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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	IN BAHT	
	CONSOLIDATED	THE COMP.
	2006	2006
<u>3.Sale of investment in subsidiary</u>		
At December 29, 2006, the company sold the investment in subsidiary		
with the net book value of assets at disposal date as follow:		
Cash and cash equivalents	3,650,795	
Trade accounts receivable-net	49,362,463	
Inventories	9,941,177	
Other current assets	1,820,406	
Property, plant and equipment-net	151,649,780	
Intangible assets-net	134,125	
Other non - current assets	2,018,533	
Bank overdrafts	(28,552,784)	
Trade accounts payable	(42,273,811)	
liabilities under finance lease agreements	(797,016)	
Current portion of long-term loan	(12,600,000)	
Accrued expenses	(9,799,773)	
Other current liabilities	(3,541,450)	
Long - term loans from related companies	(63,100,000)	
Net book value of assets	57,912,445	
<u>Less</u> Minority interest	(29,535,347)	
Net book value of assets at the proportion of investment (49%)	28,377,098	
<u>Less</u> Loss on disposal of investment	(21,377,098)	
<u>Less</u> Cash and cash equivalents of subsidiary at disposal date	(3,650,795)	
Proceeds from disposal of investment in subsidiary,		
net of subsidiary's cash balance	3,349,205	

4. Non cash transaction

During the year 2005, the Company increase the share capital by paid stock dividends amount to Baht 104,997,360.

Such transaction was non cash and excluded in the consolidated and company statements of cash flows.

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

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ANY ONLY

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2005

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88,386,041

281,160

(696,615)

(1,086,497)

-

(240,137)

-

68,286,395

155,903

(9,700,021)

27,408,212

-

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172,794,441

1,080,170

6,569,806

(24,638,047)

6,966,148

10,909,860

1,783,285

(19,004,396)

1,615,260

2,969,250

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161,045,777

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ANY ONLY

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2005

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(6,125,000)

(24,500,000)

-

2,692,712

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-

1,290,078

(1,690,810)

(156,809,257)

(185,142,277)

-

-

-

-

(52,500,000)

-

(52,500,000)

(76,596,500)

218,226,033

141,629,533

190,029

134,290

(156,956,334)

147,077

(156,809,257)

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ANY ONLY

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2005

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