

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2011 AND 2010 (UNAUDITED) AND DECEMBER 31, 2010 (AUDITED)**

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**1. GENERAL INFORMATION**

Chiangmai Frozen Foods Public Company Limited is a public company limited and was listed on the Stock Exchange of Thailand in 1993. The Company and subsidiary are engaged in business of manufacturing and exporting of frozen fruits and vegetable and transmuted sweet corn distribution. The address of its registered office are as follows :

Head Office is located at 149/34 floor 3<sup>rd</sup> – 4<sup>th</sup> Soi Anglo Plaza, Surawongse road, Surawongse, Bangrak, Bangkok.

Branch Office 1 is located at 92 Moo.3, Chiangmai – Phrao road, Tumbol Nongjom, Amphur Sansai, Chiangmai.

Branch Office 2 is located at 299 Moo.14, Chiangmai – Phrao road, Tumbol Maefak mai, Amphur Sansai, Chiangmai.

**2. BASIS FOR INTERIM FINANCIAL STATEMENTS AND INTERIM CONSOLIDATED FINANCIAL STATEMENTS PREPARATION**

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard No. 34 (revised 2009) Interim Financial Reporting; guidelines promulgated by the Federation of Accounting Professions; applicable rules and regulations of the Thai Securities and Exchange Commission; and with generally accepted accounting principles in Thailand.

The interim consolidated financial statements and interim separate financial statements are prepared as additional information to financial statements for the year ended December 31, 2010 with the emphasis on the more current information about activities, events and situations, not a duplicate of information previously reported. These interim financial statements should therefore be read in conjunction with the financial statements for the year ended December 31, 2010.

The interim financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies.

“The Company” represents “Chiangmai Frozen Foods Public Company Limited,” while “The Group” represents “Chiangmai Frozen Foods Public Company Limited” and its subsidiary which is “Agrifood Processing Company Limited”.

The significant transactions between the Company and the subsidiary have been eliminated in the interim consolidated financial statements.

**3. ADOPTION OF NEW ACCOUNTING STANDARDS**

During 2010, the FAP issued the following new and revised Thai Financial Reporting Standards (TFRS) relevant to the Group’s operations and effective for accounting periods beginning on or after January 1, 2011:

TAS 1 (Revised 2009)	Presentation of Financial Statements
TAS 2 (Revised 2009)	Inventories
TAS 7 (Revised 2009)	Statement of Cash Flows
TAS 8 (Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2009)	Events after the Reporting Period
TAS 16 (Revised 2009)	Property, Plant and Equipment

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TAS 17 (Revised 2009)	Leases
TAS 18 (Revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 24 (Revised 2009)	Related Party Disclosures
TAS 27 (Revised 2009)	Consolidated and Separate Financial Statements
TAS 33 (Revised 2009)	Earnings per Share
TAS 34 (Revised 2009)	Interim Financial Reporting
TAS 36 (Revised 2009)	Impairment of Assets
TAS 37 (Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2009)	Intangible Assets

The adoption of these new and revised TFRS has resulted in changes in the Group's accounting policies. The effects of these changes are disclosed in note 4. Except for these changes, accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended December 31, 2010.

In addition to the above new and revised TFRS, the FAP has issued during 2010 a number of other TFRS which are expected to be effective for financial statements beginning on or after January 1, 2013 and have not been adopted in the preparation of these interim financial statements.

TAS 12	Income taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates

Management is presently considering the potential impact of adopting and initially applying these new and revised TFRS on the consolidated and separate financial statements.

#### **4. CHANGES IN ACCOUNTING POLICIES**

From January 1, 2011, consequent to the adoption of new and revised TFRS as set out in note 3, the Group has changed its accounting policies in the following areas:

- Presentation of financial statements
- Accounting for property, plant and equipment
- Accounting for employee benefits

##### **Presentation of financial statements**

From January 1, 2011, The Group has applied TAS 1 (revised 2009) Presentation of Financial Statements. Under the revised TAS, a set of financial statements comprises:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the financial statements.

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As a result, the Group separately presents other comprehensive income from the statement of changes in equity and presents those transactions in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in shareholder's equity.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on reported profit or earnings per share.

**Accounting for property, plant and equipment**

The Group has applied TAS 16 (revised 2009) Property, Plant and Equipment in determining and accounting for the cost and depreciable amount of property, plant and equipment.

The principal changes introduced by the revised TAS 16 and affecting the Group are that

- (a) costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation
- (b) the depreciation charge has to be determined separately for each significant part of an asset; and
- (c) in determining the depreciable amount, the residual value of an item of assets has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The changes have been applied prospectively in accordance with the transitional provisions of the revised TAS, except that consideration of the costs of asset dismantlement, removal and restoration, have been applied retrospectively.

**Accounting for employee benefits**

The Group has applied TAS 19 Employee Benefits.

Under the new policy, the Group's obligation in respect of post-employment benefits under defined benefit plans and other long - term employee benefits recognised in the financial statements based on calculations by a qualified actuary using the projected unit credit method. Previously, this obligation was recognised as occurred.

The Group has opted to record the entire amount of this liability as an adjustment to retained earnings as at January 1, 2011, in accordance with the transitional provisions of TAS 19 as disclosed in note 5.

**5. EFFECT OF FIRST TIME ADOPTION OF THAI FINANCIAL REPORTING STANDARDS**

	In Baht	
	Consolidated financial statements	Separate financial statements
<b>Statement of financial position</b>		
Retained earnings at December 31, 2010 - as reported	783,709,305	771,459,984
Increase in employee benefit obligations	(23,095,014)	(21,824,793)
<b>Retained earnings at January 1, 2011</b>	<b>760,614,291</b>	<b>749,635,191</b>

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**Statement of comprehensive income for the three-month and nine-month periods ended September 30, 2011**

	In Baht			
	For the three-month period		For the nine-month period	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Increase in employee expenses resulting in:				
Increase in cost	630,465	630,465	1,891,557	1,891,557
Increase in selling expenses	30,847	26,037	92,540	78,111
Increase in administrative expenses	125,281	112,155	375,683	336,303
<b>Decrease in profit</b>	<b>786,593</b>	<b>768,657</b>	<b>2,359,780</b>	<b>2,305,971</b>
<b>Decrease in earnings per share:</b>				
Basic earnings per share (in Baht)	0.002	0.002	0.006	0.006

**6. TRANSACTIONS WITH RELATED COMPANIES**

**6.1 Relationships and pricing policies**

The relationship and pricing policies among the Company, Subsidiary and related companies are as follows:

<u>Subsidiary :</u>	<u>Relationship</u>
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<b><u>Related companies :</u></b>	
C&W Interfoods Co.,Ltd.	Common directors
Itochu Corporation Co., Ltd.	Shareholder
P.P. Foods Supply Co., Ltd.	Common shareholder
Ing Shiang Co., Ltd.	Common shareholder
Agri World Co.,Ltd.	Common Shareholders and directors
C.T.Prospers Group Co.,Ltd.	Common Shareholders and directors
	<u>Pricing policy</u>
Sales	At normal business prices, as same as other entities
Rental revenue	At contract price which had been agreed upon
Service income	At price which had been agreed upon
Service expenses	At price which had been agreed upon
Commission	At rate 1.50 - 3.00% of sales
Loan to	At interest rate 3.25% per annum

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**6.2 Balances of transactions with subsidiary and related companies**

Balances of transactions among the Company, Subsidiary and related companies as at September 30, 2011 and December 31, 2010 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
<b>Trade accounts receivable</b>				
Agrifood Processing Co., Ltd.	-	-	20,259,226	15,976,965
Itochu Corporation Co., Ltd.	7,187,126	4,531,292	2,328,552	1,839,614
P. P. Foods Supply Co., Ltd.	-	1,449,210	-	1,449,210
Ing shiang Co., Ltd.	3,338,559	2,412,837	3,338,559	2,412,837
Total	<u>10,525,685</u>	<u>8,393,339</u>	<u>25,926,337</u>	<u>21,678,626</u>
<b>Accrued expenses</b>				
Itochu Corporation Co., Ltd.	314,976	1,072,486	184,615	535,908
P. P. Foods Supply Co., Ltd.	312,511	287,839	312,511	287,839
Ing shiang Co., Ltd.	2,101,437	2,677,279	2,101,437	2,677,279
Total	<u>2,728,924</u>	<u>4,037,604</u>	<u>2,598,563</u>	<u>3,501,026</u>
<b>Deposit</b>				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

**6.3 Revenue and expenses among the Company, subsidiary and related companies**

Revenue and expenses between the Company, subsidiary and related companies for the three-month periods ended September 30, 2011 and 2010 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	64,316,766	61,644,756
Itochu Corporation Co., Ltd.	56,833,737	49,007,553	34,111,389	28,863,791
P.P. Foods Supply Co., Ltd.	-	4,382,211	-	2,680,211
Ing shiang Co., Ltd.	2,959,950	938,934	2,959,950	938,934
Total	<u>59,793,687</u>	<u>54,328,698</u>	<u>101,388,105</u>	<u>94,127,692</u>
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	162,300	155,100
C.T.Prospers Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	<u>22,500</u>	<u>22,500</u>	<u>184,800</u>	<u>177,600</u>

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	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2011	2010	2011	2010
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	1,163,413	963,917	711,887	574,337
P.P. Foods Supply Co., Ltd.	100,529	121,448	100,529	121,448
Ing shiang Co., Ltd.	874,606	561,785	874,606	561,785
Total	<u>2,138,548</u>	<u>1,647,150</u>	<u>1,687,022</u>	<u>1,257,570</u>

Revenue and expenses between the Company, subsidiary and related companies for the nine-month periods ended September 30, 2011 and 2010 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2011	2010	2011	2010
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	175,620,915	171,751,056
Itochu Corporation Co., Ltd.	142,442,071	165,635,252	94,866,593	118,559,818
P.P. Foods Supply Co., Ltd.	4,788,526	9,344,500	4,048,526	6,305,500
Ing shiang Co., Ltd.	6,120,749	3,597,773	6,120,749	3,597,773
Total	<u>153,351,346</u>	<u>178,577,525</u>	<u>280,656,783</u>	<u>300,214,147</u>
<b>Interest income</b>				
C&W Interfoods Co.,Ltd.	-	373,038	-	373,038
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	484,500	465,300
C.T.Prosper Group Co.,Ltd.	67,500	67,500	67,500	67,500
Total	<u>67,500</u>	<u>67,500</u>	<u>552,000</u>	<u>532,800</u>
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	2,997,312	3,343,377	2,037,333	2,376,258
P.P. Foods Supply Co., Ltd.	584,762	710,566	584,762	710,566
Ing shiang Co., Ltd.	2,048,271	2,119,616	2,048,271	2,119,616
Total	<u>5,630,345</u>	<u>6,173,559</u>	<u>4,670,366</u>	<u>5,206,440</u>
<b>Service expenses</b>				
Agri World Co.,Ltd.	-	658,217	-	658,217

**7. SHORT - TERM INVESTMENTS**

As at September 30, 2011 and December 31,2010, fixed deposit amounted to Baht 105.6 million and Baht 305.6 million, respectively in the consolidated financial statements and amounted to Baht 100.0 million and Baht 300.0 million, respectively in the separate financial statements which bear interest at the rate of 2.85% - 4.35% per annum (December 31, 2010: 1.7% - 2.0% per annum).

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**8. TRADE ACCOUNTS RECEIVABLE**

The aging of outstanding balances as at September 30, 2011 and December 31, 2010 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Accounts receivable - Related Companies				
Not yet due	8,186,211	7,428,607	23,586,863	20,713,894
Over due with 1 month to 3 months	2,054,021	897,188	2,054,021	897,188
Over due with 4 months to 6 months	-	67,544	-	67,544
Over due 12 months	285,453	-	285,453	-
<b>Total accounts receivable - Related Companies</b>	<b>10,525,685</b>	<b>8,393,339</b>	<b>25,926,337</b>	<b>21,678,626</b>
Trade accounts receivable - Other Companies				
Not yet due	48,402,235	42,246,806	40,192,696	34,552,746
Over due with 1 month to 3 months	1,381,128	2,278,978	1,381,128	2,278,978
Over due 12 months	2,751,014	2,751,014	2,751,014	2,751,014
<b>Total accounts receivable - Other Companies</b>	<b>52,534,377</b>	<b>47,276,798</b>	<b>44,324,838</b>	<b>39,582,738</b>
<u>Less Allowance for doubtful accounts</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>
<b>Total accounts receivable - Other Companies - Net</b>	<b>49,783,363</b>	<b>44,525,784</b>	<b>41,573,824</b>	<b>36,831,724</b>

**9. INVENTORIES - NET**

Consolidated financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Finished goods and semi-finished products	291,287,132	264,095,906	(2,988,646)	(1,445,769)	288,298,486	262,650,137
Raw material and supplies	27,820,494	30,303,046	(247,181)	(138,966)	27,573,313	30,164,080
Seeds, insecticide, fertilizer	29,534,640	17,215,357	-	(71,114)	29,534,640	17,144,243
<b>Total</b>	<b>348,642,266</b>	<b>311,614,309</b>	<b>(3,235,827)</b>	<b>(1,655,849)</b>	<b>345,406,439</b>	<b>309,958,460</b>

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Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Finished goods and semi-finished products	288,610,432	264,095,906	(2,988,646)	(1,445,769)	285,621,786	262,650,137
Raw material and supplies	27,820,494	30,303,046	(247,181)	(138,966)	27,573,313	30,164,080
Seeds, insecticide, fertilizer	29,534,640	17,215,357	-	(71,114)	29,534,640	17,144,243
<b>Total</b>	<b>345,965,566</b>	<b>311,614,309</b>	<b>(3,235,827)</b>	<b>(1,655,849)</b>	<b>342,729,739</b>	<b>309,958,460</b>

**10. ACCOUNTS RECEIVABLE - PLANTERS - NET**

	In Baht	
	Consolidated and Separate financial statements	
	September 30, 2011	December 31, 2010
Accounts receivable-planters	20,367,254	36,875,041
<u>Less Allowance for doubtful accounts</u>	<u>(977,405)</u>	<u>(690,811)</u>
<b>Net</b>	<b>19,389,849</b>	<b>36,184,230</b>

**11. FIXED DEPOSITS PLEDGED AS COLLATERAL**

As at September 30, 2011 and December 31, 2010, the subsidiary has fixed deposit amounted to Baht 14.6 million and Baht 14.5 million, respectively, which pledged as collateral against credit line from a local financial institution.

**12. INVESTMENTS IN SUBSIDIARY**

Separate financial statements

As at September 30, 2011 and December 31, 2010

	Activities	Paid up Capital (In Baht)	% Holdings	At Cost (In Baht)
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution	30,000,000	100.0	<u>23,353,658</u>



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**13. PROPERTY, PLANT AND EQUIPMENT - NET**

	In Baht	
	Consolidated financial statements	Separate financial statements
Transaction for the nine - month period ended September 30, 2011		
Net book value, beginning of period	426,340,446	424,849,043
Acquisitions	14,278,951	14,231,325
Transfer from non operating asset	5,860,590	5,860,590
Disposal and write off	(5,686)	(5,679)
Depreciation	(52,003,968)	(51,725,986)
Net book value, end of period	<u>394,470,333</u>	<u>393,209,293</u>

Net book value of land and buildings amounted to Baht 126.5 million were mortgaged as collateral against partial bank overdrafts and short - term loans from financial institutions as discussed in note 15.

**14. NON OPERATING ASSET - NET**

	In Baht		
	Consolidated and Separate financial statements		
	Land and land Improvement	Machineries and Equipment	Total
Transaction for the nine - month period ended September 30, 2011			
Net book value, Beginning of period	21,240,711	2,128,435	23,369,146
Transfer in property, plant and equipment	(5,860,590)	-	(5,860,590)
Depreciation	-	(656,340)	(656,340)
Net book value, End of period	<u>15,380,121</u>	<u>1,472,095</u>	<u>16,852,216</u>
As at September 30, 2011			
Cost	15,380,121	20,997,561	36,377,682
Accumulative depreciation	-	(16,080,268)	(16,080,268)
Allowance for impairment	-	(3,445,198)	(3,445,198)
Net book value	<u>15,380,121</u>	<u>1,472,095</u>	<u>16,852,216</u>

Non operating land and land Improvement of the Company amounting of Baht 15.4 million was prepared for the plant expansion in the future.

**15. BANK OVERDRAFTS AND SHORT - TERM LOANS FROM FINANCIAL INSTITUTIONS**

As at September 30, 2011 and December 31, 2010 the Company has the overdrafts and short - term loans from financial institutions lines amounted to Baht 451.3 million. The facilities charge an interest at the rate of MOR per annum. Such overdrafts and short - term loans lines are secured over a part of the land and buildings of the Company as discussed in note 13.

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**16. EMPLOYEE BENEFIT OBLIGATIONS**

The Group adopted TAS 19 Employee Benefits with effect from January 1, 2011 and the effect on the financial statements is disclosed in note 5.

The Group operate post employment benefit and pension based on the requirement of Thai Labour Protection Act B.E. 2541 (1998) to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

Movement in the present value of the defined benefit obligations:

	In Baht	
	Consolidated financial statements	Separate financial statements
<b>For the nine - month period ended September 30, 2011</b>		
Defined benefit obligations at January 1,	23,095,014	21,824,793
Current service costs and interest	2,359,780	2,305,971
<b>Defined benefit obligations at September 30, 2011</b>	<b>25,454,794</b>	<b>24,130,764</b>

Expense recognised in profit or loss :

**For the three - month and nine - month periods ended September 30, 2011**

	In Baht			
	For the three-month period		For the nine-month period	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Current service costs	647,983	633,936	1,943,951	1,901,808
Interest on obligation	138,610	134,721	415,829	404,163
<b>Total</b>	<b>786,593</b>	<b>768,657</b>	<b>2,359,780</b>	<b>2,305,971</b>

The above expense recognised in profit or loss is recognised in the following line items.

**For the three - month and nine - month periods ended September 30, 2011**

	In Baht			
	For the three-month period		For the nine-month period	
	Consolidated financial statements	Separate financial statements	Consolidated financial statements	Separate financial statements
Cost	630,465	630,465	1,891,557	1,891,557
Selling expenses	30,847	26,037	92,540	78,111
Administrative expenses	125,281	112,155	375,683	336,303
	<b>786,593</b>	<b>768,657</b>	<b>2,359,780</b>	<b>2,305,971</b>

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Principal actuarial assumptions at the reporting date

	Consolidated and Separate financial statements
<b>Nine - month period ended September 30, 2011</b>	
Discount rate	3.56% per annum
Salary increase rate	5%
Employee turnover rate	Scale related to Age ranging from 0 - 37.5%
Mortality rate	According to Thailand TMO97 male and female tables

**17. DIVIDENDS PAID**

According to the resolution of the ordinary shareholders' meeting for the year 2011 held on April 29, 2011 had the resolution to approve the payment of cash dividends at Baht 0.35 per share to the shareholders of 381,145,725 shares totaling Baht 133.4 million from operational result of year 2010. The Company paid such dividends on May 27, 2011.

According to the resolution of the ordinary shareholders' meeting for the year 2010 held on April 30, 2010 had the resolution to approve the payment of cash dividends at Baht 0.5 per share to the shareholders of 381,145,725 shares totaling Baht 190.6 million from operational result of year 2009. On September 11, 2009, the Company paid interim dividend at Baht 0.25 per share to the shareholders of 381,145,725 shares totaling Baht 95.3 million and the Company had already paid remaining dividend on May 27, 2010 at Baht 0.25 per share of 381,145,725 shares totaling Baht 95.3 million. However, dividends of Baht 1,375 were not paid to certain shareholders due to disqualification.

**18. EXPENSES BY NATURE**

Significant expenses by nature for three - month periods ended September 30, 2011 and 2010 are as follows :

	In Baht			
	Consolidated		Separate	
	Financial statements		financial statements	
	2011	2010	2011	2010
Changes in finished goods, semi - finished products and raw materials	37,560,086	18,622,235	37,560,086	18,622,235
Purchase raw materials	117,963,124	112,317,299	117,963,124	112,317,299
Depreciation and Amortization	17,770,496	16,774,380	17,676,075	16,679,259
Staff costs	51,942,091	51,168,887	51,522,360	50,756,102

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**SEPTEMBER 30, 2011 AND 2010 (UNAUDITED) AND DECEMBER 31, 2010 (AUDITED)**

Significant expenses by nature for nine - month periods ended September 30, 2011 and 2010 are as follows :

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Changes in finished goods, semi - finished products and raw materials	(22,329,380)	59,203,057	(22,329,380)	59,203,057
Purchase raw materials	424,253,112	327,954,218	424,253,112	327,954,218
Depreciation and Amortization	52,660,308	57,155,002	52,382,326	56,893,045
Staff costs	157,675,974	146,645,286	156,415,643	145,405,821

**19. SEGMENT INFORMATION**

The Group is engaged in business of manufacturing and exporting of frozen fruits and vegetables, transmuted sweet corn distribution and frozen dough and bakery products and operate in one geographical area in Thailand. Therefore, these financial statements do not present the geographical segment.

The details of business segment information for three - month periods ended September 30, 2011 and 2010 are as follows:

Consolidated financial statements

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2011	2010	2011	2010	2011	2010
Sales	370,714	343,193	576	1,263	371,290	344,456
Cost of sales	(292,911)	(262,320)	(477)	(1,606)	(293,388)	(263,926)
Gross profit (loss)	77,803	80,873	99	(343)	77,902	80,530
Selling expenses	(32,626)	(31,033)	(33)	(126)	(32,659)	(31,159)
Profit (loss) from operating	45,177	49,840	66	(469)	45,243	49,371
Gain on exchange rate					7,680	6,101
Other income					2,866	2,648
Central expenses					(19,246)	(20,958)
Income tax					(1,586)	-
Profit for the period					34,957	37,162

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The details of business segment information for nine - month periods ended September 30, 2011 and 2010 are as follows:

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2011	2010	2011	2010	2011	2010
Sales	993,472	1,087,481	1,793	2,618	995,265	1,090,099
Cost of sales	(817,017)	(790,678)	(2,176)	(3,626)	(819,193)	(794,304)
Gross profit (loss)	176,455	296,803	(383)	(1,008)	176,072	295,795
Selling expenses	(93,393)	(97,200)	(144)	(212)	(93,537)	(97,412)
Profit (loss) from operating	83,062	199,603	(527)	(1,220)	82,535	198,383
Gain on exchange rate					16,818	15,158
Other income					8,818	7,411
Central expenses					(66,017)	(65,520)
Income tax					(1,611)	-
Profit for the period					40,543	155,432
Property , plant and equipment - net by segment as at September 30,	321,364	348,629	30,528	40,414	351,892	389,043
Property , plant and equipment - net which cannot be classified by segment					42,578	40,852
Other assets					838,104	899,563
Total assets					1,232,574	1,329,458

The details of business segment information for three - month periods ended September 30, 2011 and 2010 are as follows:

Separate financial statements

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2011	2010	2011	2010	2011	2010
Sales	364,136	337,245	-	690	364,136	337,935
Cost of sales	(292,911)	(262,320)	-	(1,094)	(292,911)	(263,414)
Gross profit (loss)	71,225	74,925	-	(404)	71,225	74,521
Selling expenses	(28,004)	(26,087)	-	(77)	(28,004)	(26,164)
Profit (loss) from operating	43,221	48,838	-	(481)	43,221	48,357
Gain on exchange rate					5,890	4,862
Other income					2,929	2,774
Central expenses					(18,008)	(19,756)
Income tax					(1,190)	-
Profit for the period					32,842	36,237

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2011 AND 2010 (UNAUDITED) AND DECEMBER 31, 2010 (AUDITED)**

The details of business segment information for nine - month periods ended September 30, 2011 and 2010 are as follows:

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2011	2010	2011	2010	2011	2010
Sales	976,721	1,072,549	685	1,473	977,406	1,074,022
Cost of sales	(817,017)	(790,678)	(1,181)	(2,596)	(818,198)	(793,274)
Gross profit (loss)	159,704	281,871	(496)	(1,123)	159,208	280,748
Selling expenses	(80,779)	(84,114)	(59)	(115)	(80,838)	(84,229)
Profit (loss) from operating	78,925	197,757	(555)	(1,238)	78,370	196,519
Gain on exchange rate					14,152	12,717
Other income					9,018	7,258
Central expenses					(62,090)	(61,662)
Income tax					(1,215)	-
Profit for the period					38,235	154,832
Property , plant and equipment - net by segment as at September 30,	321,364	348,629	30,528	40,414	351,892	389,043
Property , plant and equipment - net which cannot be classified by segment					41,317	39,267
Other assets					823,202	885,643
Total assets					1,216,411	1,313,953

## 20. FINANCIAL INSTRUMENTS

As at September 30, 2011, the Group has no policy to perform speculate or trade the financial instrument transaction derivatives.

### 20.1 Credit risk

The Group 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.

### 20.2 Foreign Currency Risk and Risk Management

The Group exposures to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Group has policies to hedge such risks by using derivative financial instruments. As at September 30, 2011, the Group has outstanding forward foreign exchange selling contracts total of U.S. Dollars 25.9 million in exchange of Baht 816.9 million with 3 commercial banks. The contracts will be due in September 2012. Per comparative between fair value and contract value, the loss amounting Baht 19.6 million is incurred.

As at September 30, 2011, liabilities of The Group has accrued commission amounting of U.S.Dollars 80,096 which are not hedged.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
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**20.3 Interest rate risk**

The Group is exposed to interest risks because it held deposits to financial institutions. However, such financial assets are month short-term, the Group 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.

**20.4 Fair value of financial instruments**

The financial assets and liabilities include cash and cash equivalents, short - term investment, trade accounts receivable, trade accounts payable, accrued income tax and accrued expenses. Their carried values approximate to their fair values.

**21. COMMITMENT AND CONTINGENT LIABILITIES**

As at September 30, 2011

- 21.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 21.2 The Company has commitments for software license with a local company amounting of Baht 0.9 million.
- 21.3 The Company has contingent liability for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.

**22. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at September 30, 2011, debt to equity ratio in the consolidated financial statements is 0.07:1 (Separate financial statements: 0.07:1)

**23. EVALUATIONS OF THE IMPACT OF FLOOD SITUATION**

Since September 2011, there has been severe flooding in Thailand, with many areas. It remains uncertain when the situation can be expected to return to normal. As at the date of approval of these interim financial statements, none of the Group has been adversely affected by the flood. Consequently, based on preliminary assessment, the management expects the damage caused by this event has not, to date, materially affected the Company's financial position.

**24. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim consolidated financial statements and separate financial statements have been approved by the Company's Board of directors on November 11, 2011.