

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

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was 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.

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 subsidiaries which is “Agrifood Processing Company Limited”.

The significant transactions between the Company and the subsidiaries 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
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

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3. ADOPTION OF NEW ACCOUNTING STANDARDS (CON'T)

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 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.

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.

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4. CHANGES IN ACCOUNTING POLICIES (CON'T)

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
Statement of financial position		
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)
Retained earnings at January 1, 2011	760,614,291	749,635,191
Statement of comprehensive income for the three-month period ended March 31, 2011		
Increase in employee expenses resulting in:		
Increase in cost	584,436	584,436
Increase in selling expenses	30,847	26,037
Increase in administrative expenses	118,022	104,896
Decrease in profit	733,305	715,369
Decrease in earnings per share:		
Basic earnings per share (in Baht)	0.002	0.002

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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>Relationship</u>
Subsidiary :	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
Related companies :	
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.Prosper 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 expense	At price which had been agreed upon
Commission	At rate 1.50 - 3.00% of sales

6.2 Balances of transactions with subsidiary and related companies

	In Baht			
	Consolidated financial statements		Separate financial statements	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	18,014,738	15,976,965
Itochu Corporation Co., Ltd.	6,508,527	4,531,292	4,674,266	1,839,614
P. P. Foods Supply Co., Ltd.	1,668,500	1,449,210	1,594,500	1,449,210
Ing shiang Co., Ltd.	1,352,609	2,412,837	1,352,609	2,412,837
			25,636,11	
Total	9,529,636	8,393,339	3	21,678,626
Accrued expenses				
Itochu Corporation Co., Ltd.	299,793	1,072,486	257,606	535,908
P. P. Foods Supply Co., Ltd.	464,659	287,839	464,659	287,839
Ing shiang Co., Ltd.	3,296,051	2,677,279	3,296,051	2,677,279
Total	4,060,503	4,037,604	4,018,316	3,501,026
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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6. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

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

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	51,660,933	57,065,470
Itochu Corporation Co., Ltd.	32,472,247	45,696,829	19,158,804	30,002,319
P.P. Foods Supply Co., Ltd.	2,450,100	2,609,500	2,228,100	2,609,500
Ing shiang Co., Ltd.	1,361,964	1,037,445	1,361,964	1,037,445
Total	<u>36,284,311</u>	<u>49,343,774</u>	<u>74,409,801</u>	<u>90,714,734</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	159,900	155,100
C.T.Prosper Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	<u>22,500</u>	<u>22,500</u>	<u>182,400</u>	<u>177,600</u>
Interest revenue				
C&W Interfoods Co.,Ltd.	-	196,336	-	196,336
Commission expenses				
Itochu Corporation Co., Ltd.	718,769	951,128	453,282	598,325
P.P. Foods Supply Co., Ltd.	301,338	374,385	301,338	374,385
Ing shiang Co., Ltd.	613,194	715,294	613,194	715,294
Total	<u>1,633,301</u>	<u>2,040,807</u>	<u>1,367,814</u>	<u>1,688,004</u>
Service expenses				
Agri World Co.,Ltd.	-	496,764	-	496,764

7. SHORT - TERM INVESTMENTS

As at March 31, 2011, the subsidiary has fixed deposit which are 5 - 11 months amounted to Baht 215.6 million (December 31, 2010: Baht 305.6 million) bear interest at the rate of 1.7% - 2.8% per annum (December 31, 2010: 1.7% - 2.0% per annum).

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8. TRADE ACCOUNTS RECEIVABLE - NET

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

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Accounts receivable - Related Companies				
Not yet due	9,078,767	7,428,607	25,185,244	20,713,894
Over due with 1 month to 3 months	450,869	897,188	450,869	897,188
Over due with 4 months to 6 months	-	67,544	-	67,544
Total accounts receivable - Related Companies	<u>9,529,636</u>	<u>8,393,339</u>	<u>25,636,113</u>	<u>21,678,626</u>
Trade accounts receivable - Other Companies				
Not yet due	75,578,165	42,246,806	63,399,021	34,552,746
Over due with 1 month to 3 months	9,446,064	2,278,978	9,446,064	2,278,978
Over due 12 months	2,751,014	2,751,014	2,751,014	2,751,014
Total accounts receivable - Other Companies	87,775,243	47,276,798	75,596,099	39,582,738
<u>Less</u> Allowance for doubtful accounts	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>
Total accounts receivable - Other Companies - Net	<u>85,024,229</u>	<u>44,525,784</u>	<u>72,845,085</u>	<u>36,831,724</u>

9. INVENTORIES - NET

Consolidated financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Finished goods and semi-finished products	395,934,044	264,095,906	(1,785,398)	(1,445,769)	394,148,646	262,650,137
Raw material and supplies	29,245,705	30,303,046	(254,670)	(138,966)	28,991,035	30,164,080
Seeds, insecticide fertilizer	34,718,453	17,215,357	-	(71,114)	34,718,453	17,144,243
Total	<u>459,898,202</u>	<u>311,614,309</u>	<u>(2,040,068)</u>	<u>(1,655,849)</u>	<u>457,858,134</u>	<u>309,958,460</u>

Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010	March 31, 2011	December 31, 2010
Finished goods and semi-finished products	394,169,504	264,095,906	(1,785,398)	(1,445,769)	392,384,106	262,650,137
Raw material and supplies	29,245,705	30,303,046	(254,670)	(138,966)	28,991,035	30,164,080
Seeds, insecticide fertilizer	34,718,453	17,215,357	-	(71,114)	34,718,453	17,144,243
Total	<u>458,133,662</u>	<u>311,614,309</u>	<u>(2,040,068)</u>	<u>(1,655,849)</u>	<u>456,093,594</u>	<u>309,958,460</u>

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10. ACCOUNTS RECEIVABLE - PLANTERS - NET

	In Baht	
	Consolidated and Separate financial statements	
	March 31, 2011	December 31, 2010
Accounts receivable-planters	6,144,645	36,875,041
<u>Less</u> Allowance for doubtful accounts	(730,786)	(690,811)
Net	<u>5,413,859</u>	<u>36,184,230</u>

11. FIXED DEPOSITS PLEDGED AS COLLATERAL

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

12. INVESTMENTS IN SUBSIDIARY

Separate financial statements

As at March 31, 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>

13. PROPERTY, PLANT AND EQUIPMENT - NET

	In Baht	
	Consolidated financial statements	Separate financial statements
Transaction for the three - month period ended March 31, 2011		
Net book value, Beginning of period	426,340,446	424,849,043
Acquisitions	5,672,267	5,672,267
Transfer from non operating asset	5,860,590	5,860,590
Disposal	(20)	(20)
Depreciation	(14,980,343)	(14,889,138)
Net book value, End of period	<u>422,892,940</u>	<u>421,492,742</u>

Net book value of land and buildings amounted to Baht 132.2 million were mortgaged and pledged as collateral against partial bank overdrafts and short - term loans from financial institutions as discussed in Note 16 to interim financial statements.

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14. NON OPERATING ASSET - NET

	In Baht		
	Consolidated and Separate financial statements		
	Land and land Improvement	Machineries and Equipment	Total
Transaction for the three - month period ended March 31, 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	-	(216,376)	(216,376)
Net book value, End of period	<u>15,380,121</u>	<u>1,912,059</u>	<u>17,292,180</u>
As at March 31, 2011			
Cost	15,380,121	20,997,561	36,377,682
Accumulative depreciation	-	(15,640,304)	(15,640,304)
Allowance for impairment	-	(3,445,198)	(3,445,198)
Net book value	<u>15,380,121</u>	<u>1,912,059</u>	<u>17,292,180</u>

Non operating land 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

As at March 31, 2011 and December 31, 2010, the Company has the overdrafts and short - term loans lines amounted to Baht 450.3 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 to interim financial statements.

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
Three - month period ended March 31, 2011		
Defined benefit obligations at January 1,	23,095,014	21,824,793
Current service costs and interest	733,305	715,369
Defined benefit obligations at March 31, 2011	<u>23,828,319</u>	<u>22,540,162</u>

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16. EMPLOYEE BENEFIT OBLIGATIONS (CON'T)

Expense recognised in profit or loss :

	In Baht	
	Consolidated financial statements	Separate financial statements
Three - month period ended March 31, 2011		
Current service costs	594,695	580,648
Interest on obligation	138,610	134,721
Total	733,305	715,369

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

Three - month period ended March 31, 2011		
Cost	584,436	584,436
Selling expenses	30,847	26,037
Administrative expenses	118,022	104,896
Total	733,305	715,369

Principal actuarial assumptions at the reporting date

	Consolidated and Separate financial statements
Three - month period ended March 31, 2011	
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. EXPENSES BY NATURE

Significant expenses by nature for three - month periods ended March 31, 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	(128,621,718)	(43,388,781)	(128,621,718)	(43,388,781)
Purchase of finished goods	49,896,393	54,482,758	-	-
Purchase raw materials	226,222,025	146,931,594	226,222,025	146,931,594
Depreciation and Amortization	15,196,719	16,871,426	15,105,514	16,800,137
Staff costs	53,541,756	46,800,918	53,120,888	46,428,648

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18. SEGMENT INFORMATION

The Group are 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.

Export sales during the three-month period ended March 31, 2011 and 2010 represented approximately 98 percent of total sales.

The details of business segment information for three month period ended March 31, 2011 and 2010 are as follows:

Consolidated financial statements

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2011	2010	2011	2010	2011	2010
Sales	263,383	318,187	638	579	264,021	318,766
Cost of sales	(233,216)	(238,534)	(619)	(518)	(233,835)	(239,052)
Gross profit (loss)	30,167	79,653	19	61	30,186	79,714
Selling expenses	(26,357)	(29,040)	(79)	(24)	(26,436)	(29,064)
Profit (loss) from operating	3,810	50,613	(60)	37	3,750	50,650
Gain on exchange rate					1,823	4,349
Other income					2,981	1,996
Central expenses					(26,789)	(23,425)
Profit (loss) for the period					(18,235)	33,570
Property , plant and equipment - net by segment as at March 31,	347,952	375,641	30,345	29,977	378,297	405,618
Property , plant and equipment - net which cannot be classified by segment					45,996	46,196
Other assets					900,881	861,047
Total assets					1,325,174	1,312,861

Separate financial statements

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2011	2010	2011	2010	2011	2010
Sales	260,942	314,518	685	-	261,627	314,518
Cost of sales	(233,216)	(238,535)	(619)	-	(233,835)	(238,535)
Gross profit	27,726	75,983	66	-	27,792	75,983
Selling expenses	(22,824)	(24,916)	(60)	-	(22,884)	(24,916)
Profit from operating	4,902	51,067	6	-	4,908	51,067
Gain on exchange rate					1,823	3,997
Other income					3,082	1,609
Central expenses					(24,991)	(21,901)
Profit (loss) for the period					(15,178)	34,772
Property , plant and equipment - net by segment as at March 31,	347,952	375,641	30,345	29,977	378,297	405,618
Property , plant and equipment - net which cannot be classified by segment					44,595	44,420
Other assets					892,481	848,543
Total assets					1,315,373	1,298,581

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19. FINANCIAL INSTRUMENTS

As at March 31, 2011, the Company and subsidiary have no policy to perform speculate or trade the financial instrument transaction derivatives.

19.1 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.

19.2 Foreign Currency Risk and Risk Management

The Group exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Group have policies to hedge such risks by using derivative financial instruments. As at March 31, 2011, the Company and subsidiary have outstanding forward foreign exchange selling contracts total of U.S. Dollars 11.7 million in exchange of Baht 349.2 million with 3 commercial banks. The contract will be due in March 2012. Per comparative between fair value and contract value, the profit amounting Baht 4.5 million is incurred.

As at March 31, 2011, liabilities of The Group have accrued commission amounting of U.S.Dollars 118,772 which are not hedged.

19.3 Interest rate risk

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

19.4 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.

20. COMMITMENT AND CONTINGENT LIABILITIES

As at March 31, 2011

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

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21. 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 March 31, 2011, debt to equity ratio in the consolidated financial statements is 0.08:1 (Separate financial statements: 0.08:1)

22. SUBSEQUENT EVENT

According to the resolution of the 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 . Such dividend will be paid on May 27, 2011.

23. 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 May 13, 2011.