

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

---

**1. BASIS OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SEPARATE INTERIM FINANCIAL STATEMENTS PREPARATION**

The accompanying consolidated interim financial statements and separate interim financial statements are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E.2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial statements (i.e. balance sheets, statements of income, changes in shareholders' equity and cash flows) are prepared in the full format as required by related interpretations and guidelines promulgated by the Federation of Accounting Professions and regulations of the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard No. 41, 'Interim Financial Reporting' and additional notes are presented as required by the Securities and Exchange Commission.

The consolidated interim financial statements and separate interim financial statements are prepared as additional information to financial statements for the year ended December 31, 2007 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, 2007.

The consolidated financial statements include the account of Chiangmai Frozen Foods Public Company Limited and Subsidiary, Agrifood Processing Co., Ltd. with the percentage of holding of 100% of authorized share.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

The Company and subsidiary uses the same significant accounting policies and calculation method in these interim financial statements for the six-month period ended June 30, 2008 as those used in the financial statements for the year ended December 31, 2007.

**3. ACCOUNTING STANDARDS WHICH ARE EFFECTIVE IN THE CURRENT YEAR**

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these accounting standards and believes that TAS 29 (revised 2007), TAS 43 (revised 2007) and TAS 49 (revised 2007) are not relevant to the business of the Company, whereas TAS 25 (revised 2007), TAS 31 (revised 2007), TAS 33 (revised 2007), TAS 35 (revised 2007), TAS 39 (revised 2007), TAS 41 (revised 2007) and TAS 51 do not have any significant impact on the financial statements for the current period.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY  
NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

**4. TRANSACTIONS WITH RELATED COMPANIES**

The Company had transactions with subsidiaries and related companies. A part of assets, liabilities, revenues and expenses occurred among the Company, subsidiary and related companies.

**4.1 Relationships and pricing policies**

<u>Subsidiary :</u>	<u>Relationship</u>
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u>	
C&W Interfoods Co.,Ltd.	Common shareholders
Itochu Corporation Co., Ltd.	Shareholder
P.P Foods Supply Co., Ltd.	Common shareholders
Ing Shiang Co., Ltd.	Common shareholders
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.
Loan to	At interest rate 3.25% per annum.

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

	In Baht			
	Consolidated		Separate	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
<b>Accounts receivable</b>				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	15,053,302	16,845,141
Related companies				
Itochu Corporation Co., Ltd.	18,336,874	5,667,280	15,497,025	2,991,113
P P Foods Supply Co., Ltd	7,959,700	12,313,180	7,896,700	12,313,180
Ing shiang Co., Ltd.	4,174,321	1,067,264	4,174,321	1,067,264
Total	30,470,895	19,047,724	27,568,046	16,371,557
Grand Total	30,470,895	19,047,724	42,621,348	33,216,698

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
<b>Other receivable</b>				
Related company				
C.T.Prosper Group Co.,Ltd.	14,408	15,269	14,408	15,269
<b>Accrued interest</b>				
Related company				
C&W Interfoods Co.,Ltd.	65,266	67,627	65,266	67,627
<b>Long - term loans to</b>				
Related company				
C&W Interfoods Co.,Ltd.	24,500,000	24,500,000	24,500,000	24,500,000

In 2005 the Company entered into an agreement to lend to related company (C&W Interfoods Co.,Ltd.), amount to Baht 24.5 million. The full principal repayment was due with in the year 2010. The interest is repayable on monthly basis at the last day of each month under the interest rate of 3.25% per annum. Such loan was guaranteed by Wonder Interfoods Co.,Ltd., which is the major shareholders of C&W Interfoods Co.,Ltd. and Mr.Nirand Pholpipattanapong, the director of C&W Interfoods Co.,Ltd.

	In Baht			
	Consolidated financial statements		Separate financial statements	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
<b>Accrued commission expenses</b>				
Related companies				
Itochu Corporation Co., Ltd.	1,749,231	1,082,757	1,482,487	957,151
P P Foods Supply Co., Ltd.	1,920,836	2,702,543	1,920,836	2,702,543
Ing shiang Co., Ltd.	715,730	420,253	715,730	420,253
Total	<u>4,385,797</u>	<u>4,205,553</u>	<u>4,119,053</u>	<u>4,079,947</u>
<b>Accrued Service Expense</b>				
Related company				
Agriworld Co., Ltd.	-	302,673	-	302,673
<b>Deposit</b>				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

**4.3 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 June 30, 2008 and 2007 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
<b>Sales</b>				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	43,304,541	38,432,826
Related companies				
Itochu Corporation Co., Ltd.	56,026,275	52,495,210	48,687,360	47,062,123
P P Foods Supply Co., Ltd.	1,162,300	4,715,920	1,099,300	4,715,920
Ing shiang Co., Ltd.	3,828,098	-	3,199,956	-
Total	<u>61,016,673</u>	<u>57,211,130</u>	<u>52,986,616</u>	<u>51,778,043</u>
Grand Total	<u>61,016,673</u>	<u>57,211,130</u>	<u>96,291,157</u>	<u>90,210,869</u>
<b>Other income</b>				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	155,100	162,360
Related company				
C.T.Prosper Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	<u>22,500</u>	<u>22,500</u>	<u>177,600</u>	<u>184,860</u>
<b>Interest Income</b>				
Related company				
C&W Interfoods Co.,Ltd.	197,974	198,517	197,974	198,517
<b>Commission Expenses</b>				
Related companies				
Itochu Corporation Co., Ltd.	1,140,942	1,066,160	984,030	964,291
P P Foods Supply Co., Ltd.	671,737	380,944	671,737	380,944
Ing shiang Co., Ltd.	441,126	201,524	441,126	201,524
Total	<u>2,253,805</u>	<u>1,648,628</u>	<u>2,096,893</u>	<u>1,546,759</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

Revenue and expenses between the Company, subsidiary and related companies for the six-month periods ended June 30, 2008 and 2007 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<b>Sales</b>				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	87,867,160	79,640,636
Related companies				
C&W Interfoods Co.,Ltd.	1,600	-	-	-
Itochu Corporation Co., Ltd.	91,273,349	81,049,813	71,501,801	68,540,569
P P Foods Supply Co., Ltd.	4,027,500	8,828,120	3,964,500	8,828,120
Ing shiang Co., Ltd.	5,455,403	442,024	4,827,261	442,024
Total	<u>100,757,852</u>	<u>90,319,957</u>	<u>80,293,562</u>	<u>77,810,713</u>
Grand Total	<u>100,757,852</u>	<u>90,319,957</u>	<u>168,160,722</u>	<u>157,451,349</u>
<b>Other income</b>				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	310,200	318,720
Related company				
C.T.Prosper Group Co.,Ltd.	45,000	45,000	45,000	45,000
Total	<u>45,000</u>	<u>45,000</u>	<u>355,200</u>	<u>363,720</u>
<b>Interest Income</b>				
Related company				
C&W Interfoods Co.,Ltd.	395,949	394,853	395,949	394,853
<b>Commission Expenses</b>				
Related companies				
Itochu Corporation Co., Ltd.	1,840,331	1,603,492	1,434,712	1,369,609
P P Foods Supply Co., Ltd.	1,097,097	904,155	1,097,097	904,155
Ing shiang Co., Ltd.	689,337	447,305	689,337	447,305
Total	<u>3,626,765</u>	<u>2,954,952</u>	<u>3,221,146</u>	<u>2,721,069</u>
<b>Service Expenses</b>				
Related company				
Agriworld Co.,Ltd.	1,214,134	-	1,214,134	-

**5. CURRENT INVESTMENTS**

As at December 31, 2007, the Company has current investments in deposits at financial institution - which are six-month fixed deposits which bear interest at the rate of 2.80 % per annum

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

**6. TRADE ACCOUNTS RECEIVABLE - NET**

The aging of outstanding balances as at June 30, 2008 and December 31, 2007 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Accounts receivable - Related companies				
Not yet due	20,087,809	7,341,280	32,238,262	21,510,254
Over due within 1- 3 months	2,740,479	4,201,464	2,740,479	4,201,464
Over due within 4 - 6 months	3,710,407	4,068,760	3,710,407	4,068,760
Over due within 7 - 12 months	3,932,200	3,436,220	3,932,200	3,436,220
Total accounts receivable - Related companies	<u>30,470,895</u>	<u>19,047,724</u>	<u>42,621,348</u>	<u>33,216,698</u>
Trade accounts receivable - Other companies				
Not yet due	90,287,280	42,053,633	82,942,116	29,347,041
Over due within 1 - 3 months	1,862,944	1,475,683	-	1,353,283
Over due within 7 - 12 months	-	2,721,014	-	2,721,014
Over due over 12 months	2,751,014	30,000	2,751,014	30,000
Total accounts receivable - Other companies	<u>94,901,238</u>	<u>46,280,330</u>	<u>85,693,130</u>	<u>33,451,338</u>
<u>Less</u> Allowance for doubtful accounts	<u>(2,751,014)</u>	<u>(2,721,014)</u>	<u>(2,751,014)</u>	<u>(2,721,014)</u>
Total accounts receivable - Other companies - Net	<u>92,150,224</u>	<u>43,559,316</u>	<u>82,942,116</u>	<u>30,730,324</u>

**7. INVENTORIES – NET**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	June 30, 2008	December 31, 2007	June 30, 2008	December 31, 2007
Finished goods and semi – products	279,385,498	317,943,090	279,385,498	317,943,090
Seeds, insecticide, fertilizer	26,488,125	24,172,086	26,488,125	24,172,086
Raw material and supplies	35,993,523	27,861,776	32,998,417	27,861,776
Total	341,867,146	369,976,952	338,872,040	369,976,952
<u>Less</u> Provision for inventory obsolescence	<u>(3,449,350)</u>	<u>(3,444,861)</u>	<u>(3,449,350)</u>	<u>(3,444,861)</u>
Net	<u>338,417,796</u>	<u>366,532,091</u>	<u>335,422,690</u>	<u>366,532,091</u>

**8. ACCOUNTS RECEIVABLE - PLANTERS – NET**

	In Baht	
	Consolidated and Separate	
	financial statements	
	June 30, 2008	December 31, 2007
Accounts receivable-planters	37,179,330	30,200,091
<u>Less</u> Allowance for doubtful accounts	<u>(690,890)</u>	<u>(904,572)</u>
Net	<u>36,488,440</u>	<u>29,295,519</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

**9. INVESTMENTS IN SUBSIDIARY**

As at June 30, 2008 and December 31, 2007.

	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>

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

	In Baht	
	Consolidated financial statements	Separate financial statements
Transaction for the six-month period ended June 30, 2008		
Opening net book amount	526,291,136	525,759,482
Acquisition	20,195,462	20,184,492
Disposals	(5)	(5)
Depreciation	<u>(36,783,378)</u>	<u>(36,587,607)</u>
Closing net book amount	<u>509,703,215</u>	<u>509,356,362</u>

Net book value of land, building and machinery amounted to Baht 160.14 million were mortgaged and pledged as collateral against partial bank overdrafts and short-term loans from financial institutions as discussed in Note 14 to interim financial statements.

**11. NON OPERATING LAND**

Unused land of the Company amounting of Baht 13.44 million to prepare for the plant expansion.

**12. INTANGIBLE ASSETS - NET**

	In Baht
	Consolidated and Separate financial statements
Transaction for the six-month period ended June 30, 2008	
Opening net book value	858,584
<u>Less</u> Amortization during the period	<u>(211,013)</u>
Closing net book value	<u>647,571</u>
As at June 30, 2008	
Cost	1,690,810
<u>Less</u> Accumulative amortization	<u>(1,043,239)</u>
Net book value	<u>647,571</u>

**13. FIXED DEPOSITS PLEDGED AS COLLATERAL**

As at June 30, 2008 and December 31, 2007, the subsidiary has fixed deposit amounted to Baht 14.07 million and Baht 10.38 million, respectively which pledged as collateral against credit line from a local financial institution.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

---

**14. OVERDRAFTS AND SHORT - TERM LOAN FROM FINANCIAL INSTITUTIONS**

As at June 30, 2008 and December 31, 2007, the Company has the overdrafts and short-term loans lines amounted to Baht 573.7 million and Baht 443.6 million, respectively which bears interest at the rate of MOR per annum. Such overdrafts and short-term loans lines are guaranteed by mortgaging land and structures thereon and pledging of machineries of the Company as discussed in Note 10 to interim financial statements.

**15. SHARE CAPITAL**

- According to the resolution of the shareholders' meeting No.1/2007 held on April 23, 2007 the shareholders had the resolution to approve as follows :
  - Approved the capital decreasing of the Company's authorized share capital from Baht 315,000,000 (315,000,000 of common shares with a par value of Baht 1 per share) to Baht 314,997,360 (314,997,360 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on May 1, 2007.
  - Approved the capital increasing amount to Baht 31,499,736 of the Company's authorized share capital from Baht 314,997,360 (314,997,360 of common shares with a par value of Baht 1 per share) to Baht 346,497,096 (346,497,096 of common shares with a par value of Baht 1 per share) The Company registered with the Ministry of Commerce on May 2, 2007.
- On May 23, 2007, the Company paid stock dividends to the existing shareholders at the ratio of 10 existing common shares to 1 common shares (throw away fraction) totaling 31,499,232 shares at the rate Baht 0.10 per share with a par value of Baht 1 per share amount to Baht 31,499,232. The paid up share capital increased amount to Baht 346,496,592(346,496,592 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on May 23, 2007.

**16. DIVIDENDS PAID**

At the shareholders' meeting No.1/2008 held on April 30, 2008, the shareholders were unanimously approved the payment of dividends from net income for the year 2005-2007 under the Board of Investment Promotional Certificate No. 1465/2542 to the shareholders for 346,496,592 on shares, at Baht 0.30 per share amounted to Baht 103,947,478. Such dividends paid on May 30, 2008.

At the shareholders' meeting No.1/2007 held on April 23, 2007 the shareholders had the resolution to approve the payment of cash dividends and stock dividends. To pay cash dividends from net income for the year 2006 under the Board of Investment Promotional Certificate No.1465/2542 to the shareholders for 314,997,360 shares, at Baht 0.25 per share amounted to Baht 78,749,344 and to pay stock dividends from net income for the year 2006 under the Board of Investment Promotional Certificate No.1465/2542 to the existing shareholders at the ratio of 10 existing common shares to 1 common shares (throw away fraction) at the rate Baht 0.10 per share with a par value of Baht 1 per share amounted to Baht 31,499,232. The Company paid such dividends on May 23, 2007.

**17. LEGAL RESERVE**

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

**18. SEGMENT INFORMATION**

The Company and subsidiaries are engaged in business of manufacturing and exporting of frozen fruits, vegetables and transmuted sweet corn distribution 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 the three-month period ended June 30, 2008 and are as follows:

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	384,089,160	-	384,089,160
	(264,588,279		
Cost of sales	)	-	(264,588,279)
Gross profit	119,500,881	-	119,500,881
Selling expenses	(35,944,869)	-	(35,944,869)
Income from operating	83,556,012	-	83,556,012
Interest and other income			14,167,753
Central expenses			(20,769,247)
Net income			76,954,518

The details of business segment information for the three-month period ended June 30, 2007 and are as follows:

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	346,249,387	594,913	346,844,300
	(232,917,028		
Cost of sales	)	(502,849)	(233,419,877)
Gross profit	113,332,359	92,064	113,424,423
Selling expenses	(29,730,883)	(28,277)	(29,759,160)
Income from operating	83,601,476	63,787	83,665,263
Interest and other income			13,808,109
Central expenses			(28,432,226)
Interest expenses			(290)
Net income			69,040,856

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

The details of business segment information for the six-month period ended June 30, 2008 and are as follows:

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	620,497,124	970,534	621,467,658
Cost of sales	(452,572,734)	(728,817)	(453,301,551)
Gross profit	167,924,390	241,717	168,166,107
Selling expenses	(59,908,918)	(15,817)	(59,924,735)
Income from operating	108,015,472	225,900	108,241,372
Interest and other income			12,726,395
Central expenses			(41,974,739)
Net income			78,993,028
Property , plant and equipment by segment as at June 30,2008	433,989,019	38,745,780	472,734,799
Property , plant and equipment which cannot be classified by segment			36,968,416
Other assets			704,148,120
Total assets			1,213,851,335

The details of business segment information for the six-month period ended June 30, 2007 and are as follows:

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	585,295,815	2,402,278	587,698,093
Cost of sales	(420,041,315)	(3,111,820)	(423,153,135)
Gross profit (loss)	165,254,500	(709,542)	164,544,958
Selling expenses	(53,151,886)	(160,172)	(53,312,058)
Income (loss) from operating	112,102,614	(869,714)	111,232,900
Interest and other income			16,729,284
Central expenses			(48,922,408)
Interest expenses			(5,971)
Net income			79,033,805
Property , plant and equipment by segment as at June 30,2007	470,048,399	37,868,952	507,917,351
Property , plant and equipment which cannot be classified by segment			40,535,450
Other assets			684,551,516
Total assets			1,233,004,317

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

The details of business segment information for the three-month period ended June 30, 2008 are as follows:

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	379,392,355	-	379,392,355
	(264,588,279	-	(264,588,279)
Cost of sales	)		
Gross profit	114,804,076	-	114,804,076
Selling expenses	(32,460,893)	-	(32,460,893)
Income from operating	82,343,183	-	82,343,183
Interest and other income			13,321,838
Central expenses			(19,462,272)
Net income			<u>76,202,749</u>

The details of business segment information for the three-month period ended June 30, 2007 are as follows:

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	342,759,392	-	342,759,392
	(232,935,843	-	(232,935,843)
Cost of sales	)		
Gross profit	109,823,549	-	109,823,549
Selling expenses	(26,385,703)	-	(26,385,703)
Income from operating	(83,437,846)	-	83,437,846
Interest and other income			13,788,631
Central expenses			(27,044,520)
Interest expenses			(290)
Net income			<u>70,181,667</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

The details of business segment information for the six-month period ended June 30, 2008 are as follows:

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	612,233,163	-	612,233,163
	(452,572,734	-	(452,572,734)
Cost of sales	)		
Gross profit	159,660,429	-	159,660,429
Selling expenses	(52,570,463)	-	(52,570,463)
Income from operating	107,089,966	-	107,089,966
Interest and other income			11,454,620
Central expenses			(39,038,672)
Net income			79,505,914
Property, plant and equipment - net by segment as at June 30, 2008	433,989,019	38,745,780	472,734,799
Property, plant and equipment - net which cannot be classified by segment			36,621,563
Other assets			700,029,860
Total assets			1,209,386,222

The details of business segment information for the six-month period ended June 30, 2007 are as follows:

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	579,045,381	1,723,016	580,768,397
	(420,041,315	(2,627,786)	(422,669,101)
Cost of sales	)		
Gross profit (loss)	159,004,066	(904,770)	158,099,296
Selling expenses	(46,292,870)	(79,728)	(46,372,598)
Income (loss) from operating	112,711,196	(984,498)	111,726,698
Interest and other income			16,657,073
Central expenses			(45,808,148)
Interest expenses			(5,971)
Net income			82,569,652
Property, plant and equipment by segment as at June 30,2007	470,048,399	37,868,952	507,917,351
Property, plant and equipment which cannot be classified by segment			39,797,875
Other assets			679,798,908
Total assets			1,227,514,134

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

---

## **19. FINANCIAL INSTRUMENTS**

As at June 30, 2008, the Company and subsidiary have no policy to perform speculate or trade the financial instrument transaction derivatives.

### **19.1 Credit risk**

Credit risk is the exposure to the risk that the counterparties might discharge their obligations which could cause the Company to incur financial loss. The main financial assets that potentially subject to the Company to credit risk are trade accounts receivable and long-term loan to related company.

- Trade accounts receivable, Due to the confining credit policies adopted by the Group and the large number and diversity of the entities comprising the Group's customer base, The Company and subsidiary therefore does not anticipate material losses from its debt collection in excess of the allowance for doubtful accounts already set up in the accounts.
- Long - term loan to related company, the Company has managed credit risk by setting up appropriate credit limit and term which are granted, including personal and corporate guarantees as a means of mitigating the risk of financial loss from defaults. As at June 30, 2008 the Company has long-term loan to related company amounting of Baht 24.5 million with full principle repayment due within June 2010 and is paid interest at the rate of 3.25% per annum on monthly basis (at the last day of each month). Such loan is guaranteed by Wonder Interfoods Co., Ltd., which is the major shareholders of such related company and Mr. Nirand Pholpipattanapong as the director of such related company. The Company's management believes that the Company can get all loan repayment from the above related company.

### **19.2 Foreign currency risk and risk management**

The Company and subsidiary exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Company and subsidiary have policies to hedge such risks by using derivative financial instruments. As at June 30, 2008, the Company has outstanding forward foreign exchange selling contracts and option contracts of a total of U.S. Dollars 6.1 million in exchange of Baht 204.5 million with 4 commercial banks. The contract will be due on December 2008.

As at June 30, 2008, liabilities of the Company and subsidiary which are not hedged as follow:

	<u>Currency</u>	<u>Amount</u>
Accrued commission	U.S. Dollars	73,654

### **19.3 Interest rate risk**

The Company and subsidiary 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.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2008 AND 2007(REVIEWED) AND DECEMBER 31, 2007 (AUDITED)**

---

**19.4 Fair value of financial instruments**

The Company and subsidiary used the following methods and assumptions in estimating the fair values of financial instruments. Because these financial instruments are in short-term maturity:

Cash and cash equivalents and accounts receivable; the carrying values approximate their fair values.

Accounts payable; the fair value based on the carrying value in the balance sheets.

Loans to; the carrying values approximate their fair values.

**20. COMMITMENTS AND CONTINGENT LIABILITY**

As at June 30, 2008

20.1 The Company has contingent liability for bank guarantees issued in favor of government agency amounting to approximately Baht 8.1 million.

20.2 The Company has commitment to pay the uncalled investments in Agrifood Processing Co.,Ltd. amounting to approximately Baht 90 million.

20.3 The Company has commitments for development information systems with a local company amounting of Baht 1.9 million.

20.4 The Company has commitment for the installation of machine and equipment amounting of Baht 0.9 million

**21. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These the interim financial statements were authorized for issue by the Company's authorized director on August 13, 2008.