

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
MARCH 31, 2009 AND 2008(REVIEWED) AND DECEMBER 31, 2008 (AUDITED)

1. BASIS OF INTERIM FINANCIAL STATEMENTS AND CONSOLIDATED INTERIM FINANCIAL STATEMENT 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, 2008 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, 2008.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

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 subsidiary 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 three-month period ended March 31, 2009 as those used in the financial statements for the year ended December 31, 2008.

3. ACCOUNTING STANDARDS WHICH ARE EFFECTIVE IN THE CURRENT YEAR

The Federation of Accounting Professions has issued Notification No. 86/2551 mandating the use of new accounting standards as follows:

TAS 36 (revised 2007) Impairment of assets

TAS 54 (revised 2007) Non-current Assets Held for Sale and Discontinued Operations

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that TAS 36 (revised 2007) and TAS 54 (revised 2007) do not have any significant impact on the financial statements for the current period.

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4. TRANSACTIONS WITH RELATED COMPANIES

4.1 Relationships and pricing policies

	Relationship
<u>Subsidiary :</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
Commission	At rate 1.50 – 3.00% of sales
Loan to	At interest rate 3.25% per annum.

4.2 Balances of transactions with subsidiary and related companies

	In Baht			
	Consolidated financial statements		Separate financial statements	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Trade accounts receivable				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	16,064,742	17,520,430
Related companies				
Itochu Corporation Co., Ltd.	11,931,568	9,002,795	9,760,657	7,330,073
P. P Foods Supply Co., Ltd.	7,551,250	9,004,700	7,551,250	8,860,700
Ing shiang Co., Ltd.	3,776,396	4,790,400	3,776,396	4,790,400
Total	23,259,214	22,797,895	21,088,303	20,981,173
Grand Total	23,259,214	22,797,895	37,153,045	38,501,603

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		In Baht			
		Consolidated financial statements		Separate financial statements	
		March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Accrued interest					
Related company					
C&W Interfoods Co.,Ltd.		67,627	132,708	67,627	132,708
Long - term loans to					
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 within June 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	
		March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Accrued commission expenses					
Related companies					
Itochu Corporation Co., Ltd.		936,071	651,136	886,473	434,399
P.P Foods Supply Co., Ltd.		1,164,422	945,489	1,164,422	945,489
Ing shiang Co., Ltd.		2,552,018	1,939,363	2,552,018	1,939,363
Total		4,652,511	3,535,988	4,602,913	3,319,251
Deposit					
Subsidiary					
Agrifood Processing Co., Ltd.		-	-	30,000	30,000

4.3 Revenue and expenses transactions with subsidiary and related companies

		In Baht			
		Consolidated financial statements		Separate financial statements	
		2009	2008	2009	2008
Sales					
Subsidiary					
Agrifood Processing Co., Ltd.		-	-	51,486,315	44,562,619
Related companies					
C&W Interfoods Co.,Ltd.		-	1,600	-	-
Itochu Corporation Co., Ltd.		31,298,278	35,247,074	21,879,748	22,814,441
P.P Foods Supply Co., Ltd.		3,682,500	2,865,200	3,430,500	2,865,200
Ing shiang Co., Ltd.		649,792	1,627,305	-	1,627,305
Total		35,630,570	39,741,179	25,310,248	27,306,946
Grand Total		35,630,570	39,741,179	76,796,563	71,869,565

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	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Other income				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	155,100	155,100
Related company				
C.T.Prosper Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	22,500	22,500	177,600	177,600
Interest income				
Related company				
C&W Interfoods Co.,Ltd.	196,336	197,975	196,336	197,975
Commission expenses				
Related companies				
Itochu Corporation Co., Ltd.	634,501	699,389	444,908	450,682
P.P Foods Supply Co., Ltd.	431,596	425,360	431,596	425,360
Ing shiang Co., Ltd.	580,394	248,211	580,394	248,211
Total	1,646,491	1,372,960	1,456,898	1,124,253
Service expenses				
Related company				
Agri World Co.,Ltd	-	1,214,134	-	1,214,134

5. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Cash on hand	116,123	116,343	106,123	106,343
Current accounts	472,862	1,336,350	-	-
Saving accounts	110,621,905	107,749,668	92,144,125	90,383,262
Fixed deposits : Less than 3 months	135,478,064	5,440,729	130,000,000	-
Total	246,688,954	114,643,090	222,250,248	90,489,605

The weighted average effective interest rates of deposits at financial institutions were 0.25% – 1.75% per annum (2008: 0.25 % – 4.00 % per annum).

6. SHORT- TERM INVESTMENTS

As at December 31, 2008, the Company has short-term investments in deposits at financial institution amounting of Baht 140.0 million which are 5 - 6 month fixed deposits bear interest at the rate of 2.80 - 4.00% per annum

7. TRADE ACCOUNTS RECEIVABLE - NET

The aging of outstanding balances as at March 31, 2009 and December 31, 2008 are as follows:

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	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Accounts receivable - Related companies				
Not yet due	13,568,568	12,780,947	27,462,399	28,514,619
Over due within 1 - 3 months	4,888,148	5,756,998	4,888,148	5,727,034
Over due within 4 - 6 months	4,802,498	1,482,750	4,802,498	1,482,750
Over due within 7 - 12 months	-	2,777,200	-	2,777,200
Total accounts receivable				
- Related companies	23,259,214	22,797,895	37,153,045	38,501,603
Trade accounts receivable - Other companies				
Not yet due	85,044,904	51,639,847	76,756,124	39,672,616
Over due within 1 - 3 months	7,837,564	6,228,505	7,837,564	6,228,505
Over due within 4 - 6 months	-	3,130,719	-	3,130,719
Over due over 12 months	2,751,014	2,751,014	2,751,014	2,751,014
Total accounts receivable - Other companies	95,633,482	63,750,085	87,344,702	51,782,854
<u>Less</u> Allowance for doubtful accounts	(2,751,014)	(2,751,014)	(2,751,014)	(2,751,014)
Total accounts receivable				
- Other companies - Net	92,882,468	60,999,071	84,593,688	49,031,840

8. INVENTORIES – NET

Consolidated financial statements

	In Baht					
	At Cost		Provision for diminution in value of inventories		Inventories-net	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Finished goods and semi – products	329,125,978	294,365,295	(1,208,842)	(2,207,779)	327,917,136	292,157,516
Raw material and supplies	30,968,429	29,095,336	(658,781)	(427,723)	30,309,648	28,667,613
Seeds, insecticide, fertilizer	36,918,456	32,455,814	(94,301)	(94,301)	36,824,155	32,361,513
Net	397,012,863	355,916,445	(1,961,924)	(2,729,803)	395,050,939	353,186,642

Separate financial statements

	In Baht					
	At Cost		Provision for diminution in value of inventories		Inventories-net	
	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008	March 31, 2009	December 31, 2008
Finished goods and semi – products	326,458,884	294,365,295	(1,208,842)	(2,207,779)	325,250,042	292,157,516
Raw material and supplies	30,968,429	29,095,336	(658,781)	(427,723)	30,309,648	28,667,613
Seeds, insecticide, fertilizer	36,918,456	32,455,814	(94,301)	(94,301)	36,824,155	32,361,513
Net	394,345,769	355,916,445	(1,961,924)	(2,729,803)	392,383,845	353,186,642

9. ACCOUNTS RECEIVABLE - PLANTERS – NET

In Baht

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	Consolidated and Separate financial statements	
	March 31, 2009	December 31, 2008
Accounts receivable-planters	10,898,625	27,278,068
<u>Less</u> Allowance for doubtful accounts	<u>(704,823)</u>	<u>(711,521)</u>
Net	<u>10,193,802</u>	<u>26,566,547</u>

10. FIXED DEPOSITS PLEDGED AS COLLATERAL

As at March 31, 2009 and December 31, 2008, the subsidiary has fixed deposit amounted to Baht 14.3 million and Baht 14.2 million, respectively which pledged as collateral against credit line from a local financial institution.

11. INVESTMENTS IN SUBSIDIARY

Separate financial statements

As at March 31, 2009 and December 31, 2008.

	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>

12. PROPERTY, PLANT AND EQUIPMENT - NET

	In Baht	
	Consolidated financial statements	Separate financial statements
Transaction for the three-month period ended March 31, 2009		
Opening net book amount	487,280,190	487,046,365
Acquisition	8,710,611	8,710,611
Disposals	(3,096)	(3,096)
Depreciation	<u>(15,169,358)</u>	<u>(15,116,871)</u>
Closing net book amount	<u>480,818,347</u>	<u>480,637,009</u>

Net book value of land, building and machinery amounted to Baht 152.7 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.

13. NON OPERATING LAND

Non operating land of the Company amounting of Baht 16.1 million is reserved for the plant expansion.

14. ASSETS HELD FOR SALE - NET

In Baht

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	Consolidated and Separate financial statements	
	March 31, 2009	December 31, 2008
Machineries and equipment	5,741,997	5,741,997
<u>Less</u> : Allowance for impairment	(3,445,198)	(3,445,198)
Net	<u>2,296,799</u>	<u>2,296,799</u>

15. COMPUTER SOFTWARE - NET

	In Baht Consolidated and Separate financial statements
Transaction for the three-month period ended March 31, 2009	
Opening net book value	520,422
<u>Less</u> Amortization during the period	(73,422)
Closing net book value	<u>447,000</u>
As at March 31, 2009	
Cost	1,690,810
<u>Less</u> Accumulative amortization	(1,243,810)
Net book value	<u>447,000</u>

16. OVERDRAFTS AND SHORT-TERM LOAN FROM FINANCIAL INSTITUTIONS

As at March 31, 2009 and December 31, 2008, the Company has the overdrafts and short-term loans lines amounted to Baht 540.0 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 structures thereon and machineries of the company as discussed in Note 12 to interim financial statements.

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.

18. EXPENSES BY NATURE

Significant expenses by nature are as follows :

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	In Baht			
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	financial statements		financial statements	
	2009	2008	2009	2008
Changes in finished goods and semi – finished products	(30,462,392)	(25,971,850)	(30,462,392)	(25,971,850)
Purchase of raw material	123,845,903	110,250,808	123,845,903	110,250,808
Loss on diminution of inventories (reversal)	(767,879)	5,137,010	(767,879)	5,137,010
Depreciation and amortization	15,242,780	15,483,935	15,190,293	15,382,336
Staff costs	45,466,441	39,296,304	44,434,025	38,386,804

19. 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 March 31, 2009 are as follows:

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	307,639,753	-	307,639,753
Cost of sales	(207,196,872)	-	(207,196,872)
Gross profit	100,442,881	-	100,442,881
Selling expenses	(29,596,822)	-	(29,596,822)
Income from operating	70,846,059	-	70,846,059
Interest and other income			3,274,214
Central expenses			(22,799,594)
Income tax			(547,905)
Net income			50,772,774
Property , plant and equipment by segment as at March 31,2009	398,043,884	39,344,362	437,388,246
Property , plant and equipment which cannot be classified by segment			43,430,101
Other assets			830,994,268
Total assets			1,311,812,615

The details of business segment information for the three-month period ended March 31, 2008 and are as follows:

Consolidated financial statements

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	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	236,407,964	970,534	237,378,498
Cost of sales	(187,984,455)	(728,817)	(188,713,272)
Gross profit	48,423,509	241,717	48,665,226
Selling expenses	(25,081,688)	(102,969)	(25,184,657)
Income from operating	23,341,821	138,748	23,480,569
Interest and other income			3,691,163
Central expenses			(25,133,222)
Net income			2,038,510
Property , plant and equipment by segment as at March 31,2008	446,660,453	38,064,267	484,724,720
Property , plant and equipment which cannot be classified by segment			37,784,945
Other assets			700,535,613
Total assets			1,223,045,278

The details of business segment information for the three-month period ended March 31, 2009 are as follows:

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	299,991,482	-	299,991,482
Cost of sales	(207,196,872)	-	(207,196,872)
Gross profit	92,794,610	-	92,794,610
Selling expenses	(25,200,681)	-	(25,200,681)
Income from operating	67,593,929	-	67,593,929
Interest and other income			3,332,308
Central expenses			(21,053,399)
Net income			49,872,838
Property, plant and equipment - net by segment as at March 31, 2009	398,043,884	39,344,362	437,388,246
Property, plant and equipment - net which cannot be classified by segment			43,248,763
Other assets			818,403,793
Total assets			1,299,040,802

The details of business segment information for the three-month period ended March 31, 2008 are as follows:

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Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	232,840,808	-	232,840,808
	(187,984,455	-	(187,984,455)
Cost of sales)		
Gross profit	44,856,353	-	44,856,353
Selling expenses	(21,135,750)	-	(21,135,750)
Income from operating	23,720,603	-	23,720,603
Interest and other income			3,265,303
Central expenses			(23,682,741)
Net income			3,303,165
Property , plant and equipment by segment as at March 31,2008	446,660,453	38,064,267	484,724,720
Property , plant and equipment which cannot be classified by segment			37,343,920
Other assets			697,507,790
Total assets			1,219,576,430

20. FINANCIAL INSTRUMENTS

As at March 31, 2009, the Company and subsidiary have no policy to perform speculate or trade the financial instrument transaction derivatives.

20.1 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 large number and diversity of the entities comprising the Group's customer base and confined credit policy adopted, 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 March 31, 2009 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.

20.2 Foreign currency risk and risk management

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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 March 31, 2009, the Company has outstanding forward foreign exchange selling contracts and option contracts of a total of U.S. Dollars 7.0 million in exchange of Baht 250.4 million with 2 commercial banks. The contract will be due on September 2009.

As at March 31, 2009, liabilities of the Company and subsidiary have accrued commission amounting of U.S.Dollars 98,275 which are not hedged.

20.3 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.

20.4 Fair value

The financial assets and liabilities include cash and cash equivalents, short-term investments, trade accounts receivable, long-term loan and trade accounts payable. Their carried values approximate to their fair values.

21. COMMITMENTS AND CONTINGENT LIABILITY

As at March 31, 2009

21.1 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.

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

21.3 The Company has commitments for software license with a local company amounting of Baht 1.3 million.

22. RECLASSIFICATION

Certain amounts in the financial statements for the three - month period ended March 31, 2008 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	The reclassifications	The previously reported	The reclassifications	The previously reported
Administrative and selling expenses	-	48,977,879	-	43,478,491
Selling expenses	25,184,657	-	21,135,750	-
Administrative expenses	11,386,106	-	10,552,888	-
Managements' remuneration	8,610,106	1,340,000	7,992,843	1,340,000
Loss on diminution of inventories	5,137,010	-	5,137,010	-

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23. SUBSEQUENT EVENTS

According to the resolution of the shareholders' meeting 1/2009 held on April 30, 2009 the shareholders had the resolution to approve as follows :

- Approved the capital decreasing of the Company's authorized share capital from Baht 346,497,096 (346,497,096 of common shares with a par value of Baht 1 per share) to Baht 346,496,592 (346,496,592 of common shares with a par value of Baht 1 per share).
- Approved the capital increasing amount to Baht 34,649,659 of the Company's authorized share capital from Baht 346,496,592 (346,496,592 of common shares with a par value of Baht 1 per share) to Baht 381,146,251 (381,146,251 of common shares with a par value of Baht 1 per share).
- Approved the payment of cash dividends and stock dividends. To pay cash dividend to the shareholders for 346,496,592 shares, at Baht 0.30 per share totaling Baht 103,948,978 and to pay stock dividends from net income for the year 2007 and 2008 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 totaling 34,649,659 shares with a par value of Baht 1 per share amount to Baht 34,649,659. Such dividends will pay on May 29, 2009.

24. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These the interim financial statements were authorized for issue by the board of directors of the Company on May 14, 2009.