

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011 AND 2010**

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**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 Group 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 CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS PREPARATION**

The consolidated and the separate financial statements have been 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 under the Securities and Exchange Act B.E. 2535.

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

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

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

"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".

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### **3. ADOPTION OF NEW ACCOUNTING STANDARDS**

During 2010 and 2011, 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
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.

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 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

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**4. CHANGES IN ACCOUNTING POLICIES (CON'T)**

**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 shareholders' equity;
- Statement of cash flows; and
- Notes to the financial statements.

As a result, the Group presents all owner changes in shareholders' equity in the statement of changes in shareholders' equity and all non-owner changes in shareholders' equity in the statement of comprehensive income. Previously, all such changes were included in the statement of changes in shareholders' 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.

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**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>

**Statement of comprehensive income for the year ended December 31, 2011**

	In Baht	
	Consolidated financial statements	Separate financial statements
Increase in employee expenses resulting in:		
Increase in cost	2,521,981	2,521,981
Increase in selling expenses	123,388	104,149
Increase in administrative expenses	500,928	448,421
<b>Decrease in profit</b>	<b>3,146,297</b>	<b>3,074,551</b>
Decrease in earnings per share:		
<b>Basic earnings per share (In Baht)</b>	<b>0.008</b>	<b>0.008</b>

**6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of the Group are as follows:

**6.1 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

Deposits at financial institutions that are restricted in use are presented as “Fixed deposits pledged as collateral” as part of non - current assets in the statements of financial position.

**6.2 Accounts receivable**

Accounts receivable are carried at original invoice amount less allowance for doubtful accounts.

**6.3 Allowance for doubtful accounts**

The Group provide allowance for doubtful accounts equal to the estimated losses that may be incurred in the collection of receivables and receivables- planters. The estimated losses are based on the collection experiences and the review of the current status of the existing receivables Bad debts are written off during the year in which they are identified.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

### **6.4 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

At the end of year, the Company considers the physical of finished goods in the estimation of adequately allowance for obsolete.

### **6.5 Investments in subsidiary**

Subsidiary, which is those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Investment in subsidiary is reported by using the cost method of accounting in the separate financial statements.

### **6.6 Property, plant and equipment**

Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation.

Depreciation of plant and equipment are calculated on the straight line method over their estimated useful lives as follows:

	<u>No. of Years</u>
Buildings	20 years
Machineries and equipment	5-10 years
Vehicles	5 years
Office equipment and fixtures	5 years

When assets are sold or retired, the Group will eliminated their costs and accumulated depreciation from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

Building-in-progress and machinery under installation are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended operational use.

### **6.7 Intangible asset and amortization**

Intangible asset is computer software which is stated at historical cost and amortized using the straight line method over its useful life (3 – 5 years).

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

### **6.8 Finance leases**

Leases of assets where the Group have substantially been transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized as assets and liabilities at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The lease payment amount net of finance charges is recorded as the reduction of the outstanding liability. The depreciable assets acquired under finance leases are depreciated over the useful life of the assets.

### **6.9 Impairment of assets**

The Group reviewed the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount (the higher of an assets selling price or value in use). The review is made for individual assets or the cash generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Group recognize the impairment losses in the statements of income. The reversal of impairment losses recognized in prior years is recorded as other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased.

### **6.10 Foreign currency transactions**

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to Thai Baht at the exchange rate prevailing at the statements of financial position date. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the statement of income.

### **6.11 Provisions**

Provisions are recognized when the Group have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company and subsidiary expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

### **6.12 Revenue recognition**

The Group recognized sales as income when goods are delivered and the risks and rewards are transferred to customers.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

### **6.13 Basic earnings per share**

Basic earnings per share is calculated by dividing the net income by weighted average number of paid - up common shares during the years.

## **6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)**

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**6.14 Financial instruments**

Financial assets carried on the statements of financial position include cash and cash equivalents, fixed deposit, trade accounts receivable, loan to and other accounts receivable. Financial liabilities carried on the statements of financial position include trade accounts payable, accrued income tax and accrued expenses. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**6.15 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiary and fellow subsidiary are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**7. TRANSACTIONS WITH RELATED COMPANIES**

**7.1 Relationships and pricing policies**

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

	<u>Relationship</u>
<b><u>Subsidiary :</u></b>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<b><u>Related companies :</u></b>	
C&W Interfoods Co.,Ltd.	Common shareholder
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
Loan to	At interest rate 3.25% per annum

**7. TRANSACTIONS WITH RELATED COMPANIES (CON'T)**

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

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

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<b>Trade accounts receivable</b>				
Agrifood Processing Co., Ltd.	-	-	14,700,869	15,976,965
Itochu Corporation Co., Ltd.	2,368,964	4,531,292	1,385,130	1,839,614
P. P. Foods Supply Co., Ltd.	-	1,449,210	-	1,449,210
Ing shiang Co., Ltd.	2,886,871	2,412,837	2,886,871	2,412,837
Total	<u>5,255,835</u>	<u>8,393,339</u>	<u>18,972,870</u>	<u>21,678,626</u>
<b>Accrued expenses</b>				
Itochu Corporation Co., Ltd.	1,039,502	1,072,486	679,720	535,908
P. P. Foods Supply Co., Ltd.	300,841	287,839	300,841	287,839
Ing shiang Co., Ltd.	2,953,362	2,677,279	2,953,362	2,677,279
Total	<u>4,293,705</u>	<u>4,037,604</u>	<u>3,933,923</u>	<u>3,501,026</u>
<b>Deposit</b>				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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

Revenue and expenses among the Company, subsidiary and related companies for the years then ended December 31, 2011 and 2010 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2011	2010	2011	2010
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	235,649,353	229,871,281
Itochu Corporation Co., Ltd.	174,503,294	202,234,102	116,078,044	135,775,204
P.P. Foods Supply Co., Ltd.	4,788,526	11,804,610	4,048,526	8,765,610
Ing shiang Co., Ltd.	9,448,266	5,489,709	9,448,266	5,489,709
Total	<u>188,740,086</u>	<u>219,528,421</u>	<u>365,224,189</u>	<u>379,901,804</u>
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	646,800	620,400
C.T.Prosper Group Co.,Ltd.	90,000	90,000	90,000	90,000
Total	<u>90,000</u>	<u>90,000</u>	<u>736,800</u>	<u>710,400</u>

**7. TRANSACTIONS WITH RELATED COMPANIES (CON'T)**

**7.3 Revenue and expenses among the Company, subsidiary and related companies (con't)**



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	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
<b>Interest revenue</b>				
C&W Interfoods Co.,Ltd.	-	373,038	-	373,038
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	3,703,427	4,158,872	2,520,346	2,797,542
P.P. Foods Supply Co., Ltd.	783,971	898,635	783,971	898,635
Ing shiang Co., Ltd.	2,852,860	2,814,850	2,852,860	2,814,850
Total	<u>7,340,258</u>	<u>7,872,357</u>	<u>6,157,177</u>	<u>6,511,027</u>
<b>Service expenses</b>				
Agri World Co.,Ltd.	-	658,217	-	658,217

**8. CASH AND CASH EQUIVALENTS**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Cash on hand	116,619	129,716	111,619	124,716
Regular checking accounts	424,680	138,401	-	-
Saving accounts	261,230,622	180,275,779	242,671,402	159,413,937
Total	<u>261,771,921</u>	<u>180,543,896</u>	<u>242,783,021</u>	<u>159,538,653</u>

The weighted average effective interest rates of deposits at financial institutions were 0.75% per annum (2010: 0.25% per annum).

**9. SHORT – TERM INVESTMENTS**

Short - term investments are deposits at financial institution which are 4-11 month fixed deposits bear interest at the rate of 3.6% - 4.35% per annum (2010: 1.7%-2.0% per annum).

**10. TRADE ACCOUNTS RECEIVABLE**

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

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	In Baht			
	Consolidated financial statements		Separate financial statements	
	2011	2010	2011	2010
Accounts receivable – Related Companies				
Not yet due	4,691,081	7,428,607	18,408,116	20,713,894
Over due with 1 month to 3 months	564,754	897,188	564,754	897,188
Over due with 4 months to 6 months	-	67,544	-	67,544
Total accounts receivable - Related Companies	<u>5,255,835</u>	<u>8,393,339</u>	<u>18,972,870</u>	<u>21,678,626</u>
Trade accounts receivable - Other Companies				
Not yet due	49,049,348	42,246,806	34,945,662	34,552,746
Over due with 1 month to 3 months	738,100	2,278,978	738,100	2,278,978
Over due 12 months	2,751,014	2,751,014	2,751,014	2,751,014
Total accounts receivable - Other Companies	52,538,462	47,276,798	38,434,776	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>49,787,448</u>	<u>44,525,784</u>	<u>35,683,762</u>	<u>36,831,724</u>

**11. INVENTORIES**

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2011	2010	2011	2010	2011	2010
Finished goods and semi - finished products	280,788,803	264,095,906	(6,092,617)	(1,445,769)	274,696,186	262,650,137
Raw material and Supplies	32,036,954	30,303,046	(263,802)	(138,966)	31,773,152	30,164,080
Seeds, insecticide Fertilizer	29,788,256	17,215,357	-	(71,114)	29,788,256	17,144,243
Total	<u>342,614,013</u>	<u>311,614,309</u>	<u>(6,356,419)</u>	<u>(1,655,849)</u>	<u>336,257,594</u>	<u>309,958,460</u>

**12. ACCOUNTS RECEIVABLE – PLANTERS**

In Baht	
2011	2010

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Accounts receivable-planters	29,832,380	36,875,041
<u>Less Allowance for doubtful accounts</u>	<u>(1,010,424)</u>	<u>(690,811)</u>
Net	<u>28,821,956</u>	<u>36,184,230</u>

**13. FIXED DEPOSITS PLEDGED AS COLLATERAL**

As at December 31, 2011 and 2010, the subsidiary has fixed deposit amounted to Baht 14.7 million and Baht 14.5 million, respectively, which pledged as collateral against credit line from a local financial institution.

**14. INVESTMENTS IN SUBSIDIARY**

As at December 31, 2011 and 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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**15. PROPERTY, PLANT AND EQUIPMENT**

**CONSOLIDATED FINANCIAL STATEMENTS**

	In Baht						Total
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
As at December 31, 2010							
Cost	110,493,651	440,462,450	706,096,954	41,505,073	22,912,181	7,314,641	1,328,784,950
<u>Less</u> Accumulated depreciation	(6,307,701)	(241,316,206)	(575,926,975)	(31,514,952)	(20,564,326)	-	(875,630,160)
Impairment of assets	-	-	(3,445,198)	-	-	-	(3,445,198)
Net book amount	<u>104,185,950</u>	<u>199,146,244</u>	<u>126,724,781</u>	<u>9,990,121</u>	<u>2,347,855</u>	<u>7,314,641</u>	<u>449,709,592</u>
Transactions for the year ended December 31, 2011							
Opening net book amount	104,185,950	199,146,244	126,724,781	9,990,121	2,347,855	7,314,641	449,709,592
<u>Add</u> Acquisition	-	1,073,376	12,679,334	-	572,363	10,147,618	24,472,691
Transfer in (out)	-	4,823,618	10,254,303	-	-	(15,077,921)	-
<u>Less</u> Disposals	-	-	(4,971)	-	(785)	-	(5,756)
Depreciation	-	(26,187,902)	(35,914,995)	(3,974,002)	(900,716)	-	(66,977,615)
Closing net book amount	<u>104,185,950</u>	<u>178,855,336</u>	<u>113,738,452</u>	<u>6,016,119</u>	<u>2,018,717</u>	<u>2,384,338</u>	<u>407,198,912</u>
As at December 31, 2011							
Cost	110,493,651	446,359,443	727,210,205	41,505,073	22,624,902	2,384,338	1,350,577,612
<u>Less</u> Accumulated depreciation	(6,307,701)	(267,504,107)	(610,026,555)	(35,488,954)	(20,606,185)	-	(939,933,502)
Impairment of assets	-	-	(3,445,198)	-	-	-	(3,445,198)
Net book amount	<u>104,185,950</u>	<u>178,855,336</u>	<u>113,738,452</u>	<u>6,016,119</u>	<u>2,018,717</u>	<u>2,384,338</u>	<u>407,198,912</u>

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**15. PROPERTY, PLANT AND EQUIPMENT (CON'T)**

**THE SEPARATE FINANCIAL STATEMENTS**

	In Baht						
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
At December 31, 2010							
Cost	110,493,651	440,462,450	706,096,954	39,726,073	21,794,955	7,314,641	1,325,888,724
<u>Less</u> Accumulated depreciation	(6,307,701)	(241,316,206)	(575,926,975)	(31,184,497)	(19,489,958)	-	(874,225,337)
Impairment of assets	-	-	(3,445,198)	-	-	-	(3,445,198)
Net book amount	<u>104,185,950</u>	<u>199,146,244</u>	<u>126,724,781</u>	<u>8,541,576</u>	<u>2,304,997</u>	<u>7,314,641</u>	<u>448,218,189</u>
Transactions for the year ended December 31, 2011							
Opening net book amount	104,185,950	199,146,244	126,724,781	8,541,576	2,304,997	7,314,641	448,218,189
<u>Add</u> Acquisition	-	1,073,376	12,679,334	-	524,737	10,147,618	24,425,065
Transfer in (out)	-	4,823,618	10,254,303	-	-	(15,077,921)	-
<u>Less</u> Disposals	-	-	(4,971)	-	(778)	-	(5,749)
Depreciation	-	(26,187,902)	(35,914,995)	(3,618,202)	(883,363)	-	(66,604,462)
Closing net book amount	<u>104,185,950</u>	<u>178,855,336</u>	<u>113,738,452</u>	<u>4,923,374</u>	<u>1,945,593</u>	<u>2,384,338</u>	<u>406,033,043</u>
At December 31, 2011							
Cost	110,493,651	446,359,443	727,210,205	39,726,073	21,602,095	2,384,338	1,347,775,805
<u>Less</u> Accumulated depreciation	(6,307,701)	(267,504,107)	(610,026,555)	(34,802,699)	(19,656,502)	-	(938,297,564)
Impairment of assets	-	-	(3,445,198)	-	-	-	(3,445,198)
Net book amount	<u>104,185,950</u>	<u>178,855,336</u>	<u>113,738,452</u>	<u>4,923,374</u>	<u>1,945,593</u>	<u>2,384,338</u>	<u>406,033,043</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2011 AND 2010**

**15. PROPERTY, PLANT AND EQUIPMENT (CON'T)**

As at December 31, 2010, net book value of land and structures thereon of the Company amounted to Baht 134.7 million were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions as discussed in Note 16 to the financial statements.

As at December 31, 2011 and 2010, the Group and the Company has fully depreciated equipment which are still in use to approximately Baht 547.8 million and Baht 546.9 million, respectively. (2010: Baht 444.4 million and Baht 443.4 million, respectively)

**16. BANK OVERDRAFTS AND SHORT-TERM LOANS**

As at December 31, 2011 and 2010, the Company has the overdrafts and short-term loans lines amounted to Baht 451.8 million and Baht 450.3 million, respectively. The facilities charge an interest at the rate of MOR per annum. In 2010 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 15 to the financial statements.

**17. 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 year ended December 31, 2011</b>		
Defined benefit obligations at January 1, 2011	23,095,014	21,824,793
Current service costs and interest	3,146,297	3,074,551
<b>Defined benefit obligations at December 31, 2011</b>	<u>26,241,311</u>	<u>24,899,344</u>

Expense recognised in profit or loss :

**For the year ended December 31, 2011**

	In Baht	
	Consolidated financial statements	Separate financial statements
Current service costs	2,591,859	2,535,668
Interest on obligation	554,438	538,883
<b>Total</b>	<u>3,146,297</u>	<u>3,074,551</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2011 AND 2010**

**17. EMPLOYEE BENEFIT OBLIGATIONS (CON'T)**

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

**For the year ended December 31, 2011**

	In Baht	
	Consolidated financial statements	Separate financial statements
Cost	2,521,981	2,521,981
Selling expenses	123,388	104,149
Administrative expenses	500,928	448,421
	<u>3,146,297</u>	<u>3,074,551</u>

Principal actuarial assumptions at the reporting date

**For the year ended December 31, 2011**

	Consolidated and Separate financial statements
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

**18. 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.

**19. 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 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.

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**20. EXPENSES BY NATURE**

Significant expenses by nature 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	(16,306,648)	88,346,857	(16,306,648)	88,346,857
Purchase of finished goods	995,000	1,641,321	-	-
Purchase raw materials	527,219,316	414,494,876	527,219,316	414,494,876
Depreciation and amortization	66,977,615	68,678,751	66,604,462	68,322,509
Staff costs	205,355,105	194,557,037	203,754,317	193,006,387

**21. PROMOTIONAL PRIVILEGES**

By virtue of the provisions of Industrial Investment Promotion Act. B.E. 2520, the Company was granted certain privileges as follows :

certificate No.1545(3)/2547 exemption from payment of income tax for eight years starting from the commencement date of the promoted business and 50 percent reduction from the normal income tax rate for the next five years after the period of eight years are expired.

As a promoted industry, the Company must comply with certain conditions and restrictions provided for in the promotional certificate.

Sales classified as promoted and non-promoted business, for the years ended December 31, 2011 and 2010 are summarized as follows:

	In Thousand Baht					
	2011			2010		
	Promoted Business	Non- Promoted Business	Total	Promoted Business	Non- Promoted Business	Total
Export sales	679,557	340,338	1,019,895	829,776	279,711	1,109,487
Domestic sales	10,508	237,567	248,075	7,464	232,121	239,585
Total	<u>690,065</u>	<u>577,905</u>	<u>1,267,970</u>	<u>837,240</u>	<u>511,832</u>	<u>1,349,072</u>

**22. SEGMENT INFORMATION**

The Group has engaged in business of manufacturing and exporting of frozen fruits and vegetables, transmuted sweet corn and operated in one geographical area in Thailand. As the business segment of transmuted sweet corn has immaterial amount. Therefore, these financial statements do not present the geographical segment.

**23. CORPORATION INCOME TAX**

Corporation income tax has been calculated on net income for the year after adding back reserve provisions and expenses which are disallowable for tax computation purpose.

Royal Decree No. 475 B.E. 2551 dated August 6, 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the three consecutive accounting periods beginning on or after January 1, 2008.

The subsidiary records income tax based on the actual amount currently payable according to the tax legislation at 30% of net profit.



## **24. PROVIDENT FUND**

The Company established a contributory registered provident fund in accordance with the Provident fund Act.B.E.2530 Under the provident fund, the Company contributes an amount equivalent to the employees' contribution, which is 3% of their basic salaries. The company appointed The Siam Commercial Bank Public Co., Ltd. as a fund manager to manage the fund in accordance with the Provident Fund Act (B.E. 2530), which was amended by the Provident Fund Act (No.2) (B.E. 2542), under supervision of the Office of the Securities and Exchange Commission.

The Company's contribution net of the refund amount for the years ended December 31, 2011 and 2010 amounted to Baht 1.4 million and Baht 1.6 million, respectively.

## **25. FINANCIAL INSTRUMENTS**

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

### **25.1 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.

### **25.2 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 December 31, 2011, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 22.9 million in exchange of Baht 732.7 million with 3 commercial banks. The contract will be due in December 2012. Per comparative between fair value and contract value, the loss amounting Baht 20.9 million is incurred.

As at December 31, 2011, the Group have accrued commission amounting of U.S.Dollars 114,133 which are not hedged.

### **25.3 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.

### **25.4 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.

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**26. COMMITMENT AND CONTINGENT LIABILITIES**

As at December 31, 2011

- 26.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 26.2 The Company has commitments for software license with a local company amounting of Baht 2.5 million.
- 26.3 The Company were contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.

**27. RECLASSIFICATION**

Certain amounts in the financial statements for the year ended December 31, 2010 have been reclassified to conform to the current year's classification. The reclassifications had no effect to previously reported profit or shareholder's equity. The reclassifications are as follows:

	In Baht			
	Consolidated financial statement		Separate financial statements	
	Reclassification	As previously reported	Reclassification	As previously reported
Property, plant and equipment	449,709,592	426,340,446	448,218,189	424,849,043
Non operating assets	-	23,369,146	-	23,369,146

**28. 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 December 31, 2011 debt to equity ratio in the consolidated financial statements and separate financial statement are 0.09:1.

**29. APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements and separate financial statements have been approved by the Board of Directors of the Company on February 27, 2012.