

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
MARCH 31, 2012 AND 2011 (UNAUDITED) AND DECEMBER 31, 2011 (AUDITED)

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was a public company limited and was listed on the Stock Exchange of Thailand in 1993. The 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 3rd - 4th Soi Anglo Plaza, Surawongse road, Surawongse, Bangrak, Bangkok.

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

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

2. BASIS FOR INTERIM FINANCIAL STATEMENTS PREPARATION

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

The interim financial statements are prepared to provide an update on the financial statements for the year ended December 31, 2011. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiary for the year ended December 31, 2011.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended December 31, 2011.

The preparation of interim financial statements in conformity with TFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

3. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

During the period, the Federation of Accounting Professions issued the financial reporting standard No. 8 Operating Segments that is effective for fiscal years beginning on or after January 1, 2013.

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4. TRANSACTIONS WITH RELATED COMPANIES

4.1 Relationships and pricing policies

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

	<u>Relationship</u>
<u>Subsidiary :</u>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u>	
Itochu Corporation Co., Ltd.	Shareholder
P.P. Foods Supply Co., Ltd.	Common shareholder
Ing Shiang Co., Ltd.	Common shareholder
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
Commission	At rate 1.50 - 3.00% of sales

4.2 Balances of transactions with subsidiary and related companies

	In Baht			
	Consolidated financial statements		Separate financial statements	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	19,562,392	14,700,869
Itochu Corporation Co., Ltd.	15,643,106	2,368,964	6,686,382	1,385,130
Ing shiang Co., Ltd.	2,876,374	2,886,871	2,876,374	2,886,871
Total	<u>18,519,480</u>	<u>5,255,835</u>	<u>29,125,148</u>	<u>18,972,870</u>
Accrued commission				
Itochu Corporation Co., Ltd.	438,220	1,039,502	218,958	679,720
P. P. Foods Supply Co., Ltd.	354,076	300,841	354,076	300,841
Ing shiang Co., Ltd.	3,657,264	2,953,362	3,657,264	2,953,362
Total	<u>4,449,560</u>	<u>4,293,705</u>	<u>4,230,298</u>	<u>3,933,923</u>
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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4. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

4.3 Revenue and expenses among the Company and related parties

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	59,331,222	51,660,933
Itochu Corporation Co., Ltd.	42,872,524	32,472,247	25,016,203	19,158,804
P.P. Foods Supply Co., Ltd.	-	2,450,100	-	2,228,100
Ing shiang Co., Ltd.	3,331,337	1,361,964	3,331,337	1,361,964
Total	<u>46,203,861</u>	<u>36,284,311</u>	<u>87,678,762</u>	<u>74,409,801</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	168,900	159,900
C.T.Prosper Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	<u>22,500</u>	<u>22,500</u>	<u>191,400</u>	<u>182,400</u>
Commission expenses				
Itochu Corporation Co., Ltd.	1,027,967	718,769	629,915	453,282
P.P. Foods Supply Co., Ltd.	284,916	301,338	284,916	301,338
Ing shiang Co., Ltd.	778,229	613,194	778,229	613,194
Total	<u>2,091,112</u>	<u>1,633,301</u>	<u>1,693,060</u>	<u>1,367,814</u>
Directors and management's remuneration	<u>7,389,333</u>	<u>7,494,557</u>	<u>6,802,683</u>	<u>6,906,107</u>

5. SHORT - TERM INVESTMENTS

As at March 31, 2012, The Group have fixed deposit which are 5 and 11 month (December 31, 2011: 4 - 11 month) bear interest at the rate of 3.40% - 3.75% per annum (December 31, 2011: 3.60% - 4.35% per annum).

6. TRADE ACCOUNTS RECEIVABLE

	In Baht			
	Consolidated financial statements		Separate financial statements	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Accounts receivable - related companies (Note 4.2)	18,519,480	5,255,835	29,125,148	18,972,870
Accounts receivable - other companies	81,628,805	52,538,462	74,453,034	38,434,776
<u>Less allowance for doubtful accounts</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>
Accounts receivable - other companies - net	78,877,791	49,787,448	71,702,020	35,683,762
Total	<u>97,397,271</u>	<u>55,043,283</u>	<u>100,827,168</u>	<u>54,656,632</u>

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6. TRADE ACCOUNTS RECEIVABLE (CON'T)

Aging of trade accounts receivable as at March 31, 2012 and December 31, 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Accounts receivable - related companies				
Not yet due receivable	17,330,712	4,691,081	27,936,380	18,408,116
Over due with 1 to 3 months	1,188,768	564,754	1,188,768	564,754
Total accounts receivable - related companies	<u>18,519,480</u>	<u>5,255,835</u>	<u>29,125,148</u>	<u>18,972,870</u>
Accounts receivable - other companies				
Not yet due receivable	77,556,663	49,049,348	70,380,892	34,945,662
Over due with 1 to 3 months	1,321,128	738,100	1,321,128	738,100
Over 12 months	2,751,014	2,751,014	2,751,014	2,751,014
Total accounts receivable - other companies	<u>81,628,805</u>	<u>52,538,462</u>	<u>74,453,034</u>	<u>38,434,776</u>
<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>78,877,791</u>	<u>49,787,448</u>	<u>71,702,020</u>	<u>35,683,762</u>

7. ACCOUNTS RECEIVABLE - PLANTERS

	In Baht	
	Consolidated and Separate financial statements	
	March 31, 2012	December 31, 2011
Accounts receivable- planters	12,476,045	29,832,380
<u>Less</u> allowance for doubtful accounts	<u>(1,078,868)</u>	<u>(1,010,424)</u>
Net	<u>11,397,177</u>	<u>28,821,956</u>

8. INVENTORIES

Consolidated financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories – net	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Finished goods and semi - finished products	365,951,320	280,788,803	(6,499,043)	(6,092,617)	359,452,277	274,696,186
Raw material and supplies	34,582,153	32,036,954	(364,445)	(263,802)	34,217,708	31,773,152
Seeds, insecticide fertilizer	51,632,830	29,788,256	-	-	51,632,830	29,788,256
Total	<u>452,166,303</u>	<u>342,614,013</u>	<u>(6,863,488)</u>	<u>(6,356,419)</u>	<u>445,302,815</u>	<u>336,257,594</u>

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8. INVENTORIES (CON'T)

Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories – net	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Finished goods and semi - finished products	364,049,036	280,788,803	(6,499,043)	(6,092,617)	357,549,993	274,696,186
Raw material and supplies	34,582,153	32,036,954	(364,445)	(263,802)	34,217,708	31,773,152
Seeds, insecticide fertilizer	51,632,830	29,788,256	-	-	51,632,830	29,788,256
Total	<u>450,264,019</u>	<u>342,614,013</u>	<u>(6,863,488)</u>	<u>(6,356,419)</u>	<u>443,400,531</u>	<u>336,257,594</u>

9. PROPERTY, PLANT AND EQUIPMENT

	In Baht	
	Consolidated financial statements	Separate financial statements
For the three - month period ended March 31, 2012		
Book value, beginning of period	407,198,912	406,033,043
Acquisition of assets	8,123,025	8,120,230
Disposal of assets	(5,569)	(5,569)
Depreciation	(13,564,366)	(13,470,372)
Book value, end of period	<u>401,752,002</u>	<u>400,677,332</u>

10. TRADE AND OTHER PAYABLES

	In Baht			
	Consolidated financial statements		Separate financial statements	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Trade payables	27,263,563	35,556,013	27,263,563	35,556,013
Accrued commission – related company (Note 4.2)	4,449,560	4,293,705	4,230,298	3,933,923
Accrued expenses	27,744,732	29,175,317	27,350,328	28,427,543
Other payables	654,856	385,603	654,856	385,603
Total	<u>60,112,711</u>	<u>69,410,638</u>	<u>59,499,045</u>	<u>68,303,082</u>

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11. EMPLOYEE BENEFIT OBLIGATIONS

The Group adopted TAS 19 Employee Benefits with effect from January 1, 2011.

The Group operate post employment benefit and pension based on the requirement of Thai Labor 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		Separate	
	financial statements	financial statements	financial statements	financial statements
	2012	2011	2012	2011
For the three-month periods ended March 31,				
Defined benefit obligations at January 1,	26,241,311	23,095,014	24,899,344	21,824,793
Current service costs and interest	931,834	733,305	912,588	715,369
Defined benefit obligations at March 31,	<u>27,173,145</u>	<u>23,828,319</u>	<u>25,811,932</u>	<u>22,540,162</u>

Expense recognized in profit or loss for the three-month periods ended March 31:

Current service costs	763,086	594,695	748,432	580,648
Interest on obligation	168,748	138,610	164,156	134,721
Total	<u>931,834</u>	<u>733,305</u>	<u>912,588</u>	<u>715,369</u>

The above expense recognized in profit or loss is recognized in the following line items:

Costs of sales	704,319	584,436	704,319	584,436
Selling expenses	42,697	30,847	37,341	26,037
Administrative expenses	184,818	118,022	170,928	104,896
Total	<u>931,834</u>	<u>733,305</u>	<u>912,588</u>	<u>715,369</u>

12. 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.

Export sales of the Group during the three-month periods ended March 31, 2012 and 2011 represented approximately 98 percent of total sales.

13. FOREIGN CURRENCY RISK AND RISK MANAGEMENT

The Group exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Group have policies to hedge such risks by using derivative financial instruments. As at March 31, 2012, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 20.7 million in exchange of Baht 646.7 million with 3 commercial banks. The contract will be due in March 2013. Per comparative between fair value and contract value, the profit amounting Baht 9.9 million is incurred.

14. COMMITMENT AND CONTINGENT LIABILITIES

As at March 31, 2012

- 14.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 14.2 The Company has commitments for software license with a local company amounting of Baht 1.6 million.
- 14.3 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.

15. EVENTS AFTER THE REPORTING PERIOD

At the ordinary shareholders' meeting dated on April 20, 2012, the shareholders approved the payment of dividends at Baht 0.14 per share for 381,145,725 shares totaling Baht 53.4 million out of operating of the year 2011 and the Company will pay such dividends on May 11, 2012.

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim consolidated financial statements and separate financial statements have been approved by the board of directors of the Company on May 14, 2012.