

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2012 AND 2011 (UNAUDITED) AND 31 DECEMBER 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, and with generally accepted accounting principles in Thailand.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 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 31 December 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 31 December 2011.

“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 1 January 2013.

The Company’s management believes that the above accounting standard will not have any significant impact on the financial statements for the year when it is initially applied.

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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	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	23,167,032	14,700,869
Itochu Corporation Co., Ltd.	11,892,534	2,368,964	7,685,934	1,385,130
Ing shiang Co., Ltd.	2,297,382	2,886,871	2,297,382	2,886,871
Total	<u>14,189,916</u>	<u>5,255,835</u>	<u>33,150,348</u>	<u>18,972,870</u>
Accrued commission				
Itochu Corporation Co., Ltd.	348,610	1,039,502	193,726	679,720
P. P. Foods Supply Co., Ltd.	189,050	300,841	189,050	300,841
Ing shiang Co., Ltd.	2,318,636	2,953,362	2,318,636	2,953,362
Total	<u>2,856,296</u>	<u>4,293,705</u>	<u>2,701,412</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 between the Company and related parties

Revenue and expenses between the Company and related parties for the three-month period ended 30 September 2012 and 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	70,454,034	64,316,766
Itochu Corporation Co., Ltd.	49,672,369	56,833,737	28,472,393	34,111,389
Ing shiang Co., Ltd.	2,316,873	2,959,950	2,316,873	2,959,950
Total	<u>51,989,242</u>	<u>59,793,687</u>	<u>101,243,300</u>	<u>101,388,105</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	168,900	162,300
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>184,800</u>
Commission expenses				
Itochu Corporation Co., Ltd.	1,063,996	1,163,413	635,587	711,887
P.P. Foods Supply Co., Ltd.	184,317	100,529	184,317	100,529
Ing shiang Co., Ltd.	712,449	874,606	712,449	874,606
Total	<u>1,960,762</u>	<u>2,138,548</u>	<u>1,532,353</u>	<u>1,687,022</u>
Directors and management's remuneration	<u>7,588,762</u>	<u>6,490,122</u>	<u>7,001,212</u>	<u>5,901,672</u>

Revenue and expenses between the Company and related parties for the nine-month period ended 30 September 2012 and 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	187,234,814	175,620,915
Itochu Corporation Co., Ltd.	138,280,947	142,442,071	92,935,603	94,866,593
P.P. Foods Supply Co., Ltd.	-	4,788,526	-	4,048,526
Ing shiang Co., Ltd.	9,371,994	6,120,749	8,513,263	6,120,749
Total	<u>147,652,941</u>	<u>153,351,346</u>	<u>288,683,680</u>	<u>280,656,783</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	506,700	484,500
C.T.Prosper Group Co.,Ltd.	67,500	67,500	67,500	67,500
Total	<u>67,500</u>	<u>67,500</u>	<u>574,200</u>	<u>552,000</u>
Commission expenses				
Itochu Corporation Co., Ltd.	3,068,009	2,997,312	2,119,090	2,037,333
P.P. Foods Supply Co., Ltd.	663,015	584,762	663,015	584,762
Ing shiang Co., Ltd.	2,343,748	2,048,271	2,343,748	2,048,271

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Total	<u>6,074,772</u>	<u>5,630,345</u>	<u>5,125,853</u>	<u>4,670,366</u>
Directors and management's remuneration	<u>22,367,428</u>	<u>21,863,937</u>	<u>20,606,578</u>	<u>20,098,587</u>

5. SHORT - TERM INVESTMENTS

As at 30 September 2012, The Group has fixed deposit which are 5 and 6 month (31 December 2011: 4 to 11 month) bear interest at the rate of 3.30% - 3.55% per annum (31 December 2011: 3.60% - 4.35% per annum).

6. TRADE ACCOUNTS RECEIVABLE

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Accounts receivable - related companies (Note 4.2)	<u>14,189,916</u>	<u>5,255,835</u>	<u>33,150,348</u>	<u>18,972,870</u>
Accounts receivable - other companies	<u>76,219,773</u>	<u>52,538,462</u>	<u>61,621,432</u>	<u>38,434,776</u>
<u>Less allowance for doubtful accounts</u>	<u>-</u>	<u>(2,751,014)</u>	<u>-</u>	<u>(2,751,014)</u>
Accounts receivable - other companies - net	<u>76,219,773</u>	<u>49,787,448</u>	<u>61,621,432</u>	<u>35,683,762</u>
Total	<u>90,409,689</u>	<u>55,043,283</u>	<u>94,771,780</u>	<u>54,656,632</u>

Aging of trade accounts receivable as at 30 September 2012 and 31 December 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Accounts receivable - related companies				
Not yet due receivable	<u>13,032,708</u>	<u>4,691,081</u>	<u>31,993,140</u>	<u>18,408,116</u>
Over due with 1 to 3 months	<u>1,140,174</u>	<u>564,754</u>	<u>1,140,174</u>	<u>564,754</u>
Over due with 4 to 6 months	<u>17,034</u>	<u>-</u>	<u>17,034</u>	<u>-</u>
Total accounts receivable - related companies	<u>14,189,916</u>	<u>5,255,835</u>	<u>33,150,348</u>	<u>18,972,870</u>
Accounts receivable - other companies				
Not yet due receivable	<u>73,597,624</u>	<u>49,049,348</u>	<u>58,999,283</u>	<u>34,945,662</u>
Over due with 1 to 3 months	<u>2,622,149</u>	<u>738,100</u>	<u>2,622,149</u>	<u>738,100</u>
Over 12 months	<u>-</u>	<u>2,751,014</u>	<u>-</u>	<u>2,751,014</u>
Total accounts receivable - other companies	<u>76,219,773</u>	<u>52,538,462</u>	<u>61,621,432</u>	<u>38,434,776</u>
<u>Less Allowance for doubtful accounts</u>	<u>-</u>	<u>(2,751,014)</u>	<u>-</u>	<u>(2,751,014)</u>
Total accounts receivable - other companies - net	<u>76,219,773</u>	<u>49,787,448</u>	<u>61,621,432</u>	<u>35,683,762</u>

7. ACCOUNTS RECEIVABLE - PLANTERS

In Baht	
30 September	31 December

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	2012	2011
Accounts receivable- planters	28,321,361	29,832,380
<u>Less</u> allowance for doubtful accounts	<u>(1,045,492)</u>	<u>(1,010,424)</u>
Net	<u>27,275,869</u>	<u>28,821,956</u>

8. INVENTORIES

Consolidated financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories – net	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Finished goods and semi - finished products	333,592,975	280,788,803	(5,720,868)	(6,092,617)	327,872,107	274,696,186
Raw material and supplies	34,909,510	32,036,954	(298,131)	(263,802)	34,611,379	31,773,152
Seeds, insecticide fertilizer	32,921,361	29,788,256	(84,840)	-	32,836,521	29,788,256
Total	<u>401,423,846</u>	<u>342,614,013</u>	<u>(6,103,839)</u>	<u>(6,356,419)</u>	<u>395,320,007</u>	<u>336,257,594</u>

Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories – net	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Finished goods and semi - finished products	329,691,841	280,788,803	(5,720,868)	(6,092,617)	323,970,973	274,696,186
Raw material and supplies	34,909,510	32,036,954	(298,131)	(263,802)	34,611,379	31,773,152
Seeds, insecticide fertilizer	32,921,361	29,788,256	(84,840)	-	32,836,521	29,788,256
Total	<u>397,522,712</u>	<u>342,614,013</u>	<u>(6,103,839)</u>	<u>(6,356,419)</u>	<u>391,418,873</u>	<u>336,257,594</u>

9. PROPERTY, PLANT AND EQUIPMENT

	In Baht	
	Consolidated financial statements	Separate financial statements
For the nine month period ended 30 September 2012		
Book value, beginning of period	407,198,912	406,033,043
Acquisition of assets	17,425,784	17,392,559
Disposal of assets and write off	(667,472)	(667,446)
Depreciation	(50,211,678)	(49,926,623)
Loss on impairment of assets	(319,265)	(319,265)
Book value, end of period	<u>373,426,281</u>	<u>372,512,268</u>

10. TRADE AND OTHER PAYABLES

	In Baht	
	Consolidated financial statements	Separate financial statements

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	30 September 2012	31 December 2011	30 September 2012	31 December 2011
Trade payables	22,524,595	35,556,013	22,524,595	35,556,013
Accrued commission – related company (Note 4.2)	2,856,296	4,293,705	2,701,412	3,933,923
Accrued expenses	34,838,105	29,175,317	33,996,169	28,427,543
Other payables	42,602	385,603	42,602	385,603
Total	60,261,598	69,410,638	59,264,778	68,303,082

11. EMPLOYEE BENEFIT OBLIGATIONS

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

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Movement in the present value of the defined benefit obligations:				
For the nine month periods ended 30 September				
Defined benefit obligations at 1 January	26,241,311	23,095,014	24,899,344	21,824,793
Current service costs and interest	2,795,501	2,359,780	2,737,764	2,305,971
Employee benefit paid	(151,500)	-	(151,500)	-
Defined benefit obligations at 30 September	28,885,312	25,454,794	27,485,608	24,130,764

The above expense recognised in profit or loss

For the three months period ended 30 September

Current service costs	763,085	647,983	748,431	633,936
Interest on obligation	168,749	138,610	164,157	134,721
Total	931,834	786,593	912,588	768,657

For the nine months period ended 30 September

Current service costs	2,289,257	1,943,951	2,245,295	1,901,808
Interest on obligation	506,244	415,829	492,469	404,163
Total	2,795,501	2,359,780	2,737,764	2,305,971

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

For the three months period ended 30 September

Cost	704,319	630,465	704,319	630,465
Selling expenses	42,697	30,847	37,341	26,037
Administrative expenses	184,818	125,281	170,928	112,155
Total	931,834	786,593	912,588	768,657

For the nine months period ended 30 September

Cost	2,112,957	1,891,557	2,112,957	1,891,557
Selling expenses	128,090	92,540	112,023	78,111
Administrative expenses	554,454	375,683	512,784	336,303
Total	2,795,501	2,359,780	2,737,764	2,305,971

12. DIVIDENDS PAID

At the ordinary shareholders' meeting dated on 20 April 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 has already paid for such dividends on 11 May 2012.

At the ordinary shareholders' meeting dated on 29 April 2011, the shareholders approved the payment of dividends at Baht 0.35 per share for 381,145,725 shares totaling Baht 133.4 million out of operating of the year 2010 and the Company has already paid for such dividends on 27 May 2011.

13. 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.

For the three - month periods ended 30 September 2012, export sales of the Group was 80% (2011 : 81%) of total sales and for the nine - month periods ended 30 September 2012, export sales of the Group was 82% (2011 : 81%) of total sales.

14. 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 30 September 2012, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 24.7 million in exchange of Baht 769.2 million with 3 commercial banks. The contract will be due in September 2013. Per comparative between fair value and contract value, the loss amounting Baht 13.5 million is incurred.

15. COMMITMENT AND CONTINGENT LIABILITIES

As at 30 September 2012

- 15.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 15.2 The Company has commitments for software license and system consulting agreement amounting of Baht 0.9 million.
- 15.3 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 9.5 million.

16. APPROVAL OF INTERIM FINANCIAL STATEMENTS

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These interim financial statements have been approved by the Company's Board of directors on
November 2012.

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