

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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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 financial Reporting 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.

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 its subsidiary, Agrifood Processing Company Limited. with the holding of 100% of authorized share.

"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 its subsidiary have been eliminated in the consolidated financial statements.

For the convenience of the user, an English translation of the financial statements has been prepared from the financial statements that are issued in the Thai language.

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**3. NEW ACCOUNTING STANDARDS ISSUED DURING THE YEARS NOT YET EFFECTIVE**

The Federation of Accounting Professions issued the following new/revised accounting standards that are effective for fiscal years beginning on or after 1 January 2013.

Accounting standards:

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

Financial Reporting Standard:

TFRS 8	Operating Segments
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Accounting Standard Interpretations:

SIC 10	Government Assistance - No Specific Relation to Operating Activities
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards.

**TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognize deferred tax assets and liabilities under the stipulated guidelines. In 2013 the effect of the adoption to the financial statements of the Company and its subsidiary will be to increase profit for the year 2012 by Baht 0.6 million (Baht 0.002 per share) and increase brought-forward retained earnings of the year 2012 by Baht 7.6 million (separate financial statements: increase profit for the year 2012 by Baht 0.6 million (Baht 0.002 per share) and increase brought-forward retained earnings of the year 2012 by Baht 7.4 million).

In addition, the Federation of Accounting Professions has issued Notification No. 30/2555-34/2555, published in the Royal Gazette on 17 January 2013, mandating the use of accounting treatment guidance and accounting standard interpretations as follows.

	<u>Effective date</u>
Accounting Treatment Guidance for Transfers of Financial Assets	1 January 2013
Accounting Standard Interpretation:	
SIC 29           Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 4        Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12       Service Concession Arrangements	1 January 2014
TFRIC 13       Customer Loyalty Programmes	1 January 2014

The management of the Company is evaluating the first-year impact to the financial statements of the accounting treatment guidance and accounting standard interpretations and has yet to reach a conclusion.

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**4. ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below;

**4.1 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.

**4.2 Accounts receivable**

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

**4.3 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.

**4.4 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.

**4.5 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.

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
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**4. ACCOUNTING POLICIES (CON'T)**

**4.6 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.

**4.7 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).

**4.8 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.

**4.9 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.

#### **4. ACCOUNTING POLICIES (CON'T)**

##### **4.10 Accounting for leases - where a company is the lessee**

Leases of assets which substantially transfer all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized 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 to the principal and to the finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the assets.

Leases not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of income on a straight-line basis over the period of the lease.

##### **4.11 Employee benefits**

###### **Short-term employee benefits**

Salaries, wages, bonuses and contributions to the social security fund are recognised as expenses when incurred.

###### **Post-employment benefits**

###### **Defined contribution plans**

The Company, its subsidiaries and its employees have jointly established a provident fund. The fund is monthly contributed by employees and by the Group. The fund's assets are held in a separate trust fund and the Group contributions are recognised as expenses when incurred.

###### **Defined benefit plans**

The Group have obligations in respect of the severance payments it must make to employees upon retirement under labor law. The Company and its subsidiaries treat these severance payment obligations as a defined benefit plan.

The obligation under the defined benefit plan is determined by a professionally qualified independent actuary based on actuarial techniques, using the projected unit credit method.

Actuarial gains and losses arising from other long-term benefits are recognised immediately in profit or loss.

The defined benefits liability comprises the present value of the defined benefit obligation less unrecognised past service cost and unrecognised actuarial gains or losses.

For the first-time adoption of TAS 19 Employee Benefits in 2011, the Company elected to recognise the transitional liability, which exceeds the liability that would have been recognised at the same date under the previous accounting policy, through an adjustment to the beginning balance of retained earnings in 2011.

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

**4.12 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.

**4.13 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.

**4.14 Income tax**

The Group record income tax based on the actual amount currently payable according to the Revenue Code.

**4.15 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.

**4.16 Financial instruments**

Financial assets carried on the statements of financial position include cash and cash equivalents, fixed deposit, trade and other receivable and loan to. 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.

**4.17 Significant accounting judgements and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgements and estimates regarding matters that are inherently uncertain. These judgements and estimates affect reported amounts and disclosures and actual results could differ from these estimates. Significant judgements and estimates are as follows:

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgement and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for net realizable value

The Group considers the allowance for net realizable value based on the estimate of selling price in the ordinary course of business and normal condition of inventory. The net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**4. ACCOUNTING POLICIES (CON'T)**

**4.17 Significant accounting judgements and estimates**

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and residual values of the Company’s plant and equipment and to review estimate useful lives and residual values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses when it is determined that their recoverable amount is lower than the carrying amount. This requires judgements regarding forecast of future revenues and expenses relating to the assets subject to the review.

**4.18 Related person and companies**

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.

**5. TRANSACTIONS WITH RELATED COMPANIES**

**5.1 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>	
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
Service expense	At price which had been agreed upon
Commission	At rate 1.50 – 3.00% of sales
Acquisition of assets	Market Value

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**5.2 Balances of transactions with subsidiary and related companies**

Balances of transactions among the Company, Subsidiary and related companies as at 31 December 2012 and 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Trade accounts receivable</b>				
Agrifood Processing Co., Ltd.	-	-	13,495,707	14,700,869
Itochu Corporation Co., Ltd.	4,542,140	2,368,964	1,458,741	1,385,130
Ing shiang Co., Ltd.	1,294,423	2,886,871	1,294,423	2,886,871
Total	<u>5,836,563</u>	<u>5,255,835</u>	<u>16,248,871</u>	<u>18,972,870</u>
<b>Accrued expenses</b>				
Itochu Corporation Co., Ltd.	1,221,070	1,039,502	605,843	679,720
P. P. Foods Supply Co., Ltd.	145,093	300,841	145,093	300,841
Ing shiang Co., Ltd.	3,168,620	2,953,362	3,168,620	2,953,362
Total	<u>4,534,783</u>	<u>4,293,705</u>	<u>3,919,556</u>	<u>3,933,923</u>
<b>Deposit</b>				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

**5.3 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 31 December 2012 and 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	254,066,891	235,649,353
Itochu Corporation Co., Ltd.	178,478,941	174,503,294	110,240,781	116,078,044
P.P. Foods Supply Co., Ltd.	-	4,788,526	-	4,048,526
Ing shiang Co., Ltd.	11,049,409	9,448,266	10,190,678	9,448,266
Total	<u>189,528,350</u>	<u>188,740,086</u>	<u>374,498,350</u>	<u>365,224,189</u>
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	675,600	646,800
C.T.Prosper Group Co.,Ltd.	90,000	90,000	90,000	90,000
Total	<u>90,000</u>	<u>90,000</u>	<u>765,600</u>	<u>736,800</u>

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

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



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	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	3,943,740	3,703,427	2,532,988	2,520,346
P.P. Foods Supply Co., Ltd.	879,597	783,971	879,597	783,971
Ing shiang Co., Ltd.	3,208,998	2,852,860	3,208,998	2,852,860
Total	<u>8,032,335</u>	<u>7,340,258</u>	<u>6,621,583</u>	<u>6,157,177</u>
<b>Directors and management's benefits</b>	<u>32,975,852</u>	<u>30,290,859</u>	<u>30,460,952</u>	<u>28,061,934</u>
<b>Acquisition of assets</b>				
Itochu Corporation Co., Ltd.	<u>12,110,790</u>	-	<u>12,110,790</u>	-

**6. CASH AND CASH EQUIVALENTS**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Cash on hand	132,313	116,619	127,313	111,619
Regular checking accounts	501,340	424,680	-	-
Saving accounts	353,566,955	261,230,622	326,904,911	242,671,402
Fixed deposit 3 months	50,000	-	50,000	-
Total	<u>354,250,608</u>	<u>261,771,921</u>	<u>327,082,224</u>	<u>242,783,021</u>

**7. SHORT – TERM INVESTMENTS**

As at 31 December 2012, the Group has 6-11 months (31 December 2011: 4-11 months) which bear interest at the rate of 3.0%-3.5% per annum (31 December 2011: 3.6%-4.35% per annum)

**8. TRADE AND OTHER RECEIVABLES**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Trade receivable - related companies (Note 5.2)	5,836,563	5,255,835	16,248,871	18,972,870
Trade receivable - other companies	52,875,313	52,538,462	46,369,674	38,434,776
Less allowance for doubtful accounts	(30,000)	(2,751,014)	(30,000)	(2,751,014)
Trade receivable - other companies, Net	<u>52,845,313</u>	<u>49,787,448</u>	<u>46,339,674</u>	<u>35,683,762</u>
Total trade receivable	58,681,876	55,043,283	62,588,545	54,656,632
Advances for expenses	1,185,049	2,970,297	1,185,049	2,970,297
Other receivables	804,708	579,511	804,708	412,663
Total	<u>60,671,633</u>	<u>58,593,091</u>	<u>64,578,302</u>	<u>58,039,592</u>

**8. TRADE AND OTHER RECEIVABLES (CON'T)**

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
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The aging of outstanding balance as at 31 December 2012 and 2011 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
<b>Trade receivable - related parties</b>				
Not yet due receivable	5,085,548	4,691,081	15,497,856	18,408,116
Overdue with 1 to 3 months	751,015	564,754	751,015	564,754
Total Trade receivable - related parties	<u>5,836,563</u>	<u>5,255,835</u>	<u>16,248,871</u>	<u>18,972,870</u>
<b>Trade receivable - other companies</b>				
Not yet due receivable	50,372,250	49,049,348	43,866,611	34,945,662
Overdue with 1 to 3 months	2,473,063	738,100	2,473,063	738,100
Over 12 months	30,000	2,751,014	30,000	2,751,014
Total Trade receivable - other companies	52,875,313	52,538,462	46,369,674	38,434,776
Less Allowance for doubtful accounts	(30,000)	(2,751,014)	(30,000)	(2,751,014)
Total Trade receivable - other companies Net	<u>52,845,313</u>	<u>49,787,448</u>	<u>46,339,674</u>	<u>35,683,762</u>

**9. ACCOUNTS RECEIVABLE – PLANTERS**

	In Baht	
	2012	2011
Accounts receivable-planters	50,297,032	29,832,380
Less Allowance for doubtful accounts	(563,785)	(1,010,424)
Net	<u>49,733,247</u>	<u>28,821,956</u>

**10. INVENTORIES**

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2012	2011	2012	2011	2012	2011
Finished goods and semi - finished products	301,448,281	280,788,803	(4,363,581)	(6,092,617)	297,084,700	274,696,186
Raw material and Supplies	36,056,122	32,036,954	(467,982)	(263,802)	35,588,140	31,773,152
Seeds, insecticide Fertilizer	24,229,670	29,788,256	(84,840)	-	24,144,830	29,788,256
Total	<u>361,734,073</u>	<u>342,614,013</u>	<u>(4,916,403)</u>	<u>(6,356,419)</u>	<u>356,817,670</u>	<u>336,257,594</u>

**11. FIXED DEPOSITS PLEDGED AS COLLATERAL**

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As at 31 December 2012 and 2011, the subsidiary has fixed deposit amounted to Baht 14.9 million and Baht 14.7 million, respectively, which pledged as collateral against credit line from a local financial institution.

**12. INVESTMENTS IN SUBSIDIARY**

As at 31 December 2012 and 2011.

	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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**13. PROPERTY, PLANT AND EQUIPMENT**

**CONSOLIDATED 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
As at 1 January 2011							
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)
Provision for impairment	-	-	(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 31 December 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 and amortization	-	-	(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 31 December 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)
Provision for impairment	-	-	(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>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

**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	
Transactions for the year ended 31 December 2012							
Opening net book amount	104,185,950	178,855,336	113,738,452	6,016,119	2,018,717	2,384,338	407,198,912
<u>Add</u> Acquisition	-	1,445,419	11,669,400	1,615,342	1,101,954	26,767,314	42,599,429
Transfer in (out)	-	3,143,748	7,395,533	-	-	(10,539,281)	-
<u>Less</u> Disposals and amortization	-	-	(2,039,815)	(4)	(49,035)	-	(2,088,854)
Depreciation	-	(26,417,380)	(30,968,034)	(3,438,942)	(924,892)	-	(61,749,248)
Impairment of assets	-	(1,019,563)	(3,659,625)	-	-	-	(4,679,188)
Closing net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>4,192,515</u>	<u>2,146,744</u>	<u>18,612,371</u>	<u>381,281,051</u>
At 31 December 2012							
Cost	110,493,651	450,948,610	729,016,477	38,927,635	22,620,809	18,612,371	1,370,619,553
<u>Less</u> Accumulated depreciation	(6,307,701)	(293,921,487)	(627,633,493)	(34,735,120)	(20,474,065)	-	(983,071,866)
Provision for impairment	-	(1,019,563)	(5,247,073)	-	-	-	(6,266,636)
Net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>4,192,515</u>	<u>2,146,744</u>	<u>18,612,371</u>	<u>381,281,051</u>

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**13. 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
As at 1 January 2011							
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)
Provision for impairment	-	-	(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 31 December 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 and amortization	-	-	(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>
As at 31 December 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)
Provision for impairment	-	-	(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>

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

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**THE SEPARATE 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	
Transactions for the year ended 31 December 2012							
Opening net book amount	104,185,950	178,855,336	113,738,452	4,923,374	1,945,593	2,384,338	406,033,043
<u>Add</u> Acquisition	-	1,445,419	11,669,400	1,615,342	1,068,729	26,767,314	42,566,204
Transfer in (out)	-	3,143,748	7,395,533	-	-	(10,539,281)	-
<u>Less</u> Disposals	-	-	(2,039,815)	(4)	(49,009)	-	(2,088,828)
Depreciation	-	(26,417,380)	(30,968,034)	(3,083,142)	(899,056)	-	(61,367,612)
Impairment of assets	-	(1,019,563)	(3,659,625)	-	-	-	(4,679,188)
Closing net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>3,455,570</u>	<u>2,066,257</u>	<u>18,612,371</u>	<u>380,463,619</u>
At 31 December 2012							
Cost	110,493,651	450,948,610	729,016,477	37,148,635	21,641,420	18,612,371	1,367,861,164
<u>Less</u> Accumulated depreciation	(6,307,701)	(293,921,487)	(627,633,493)	(33,693,065)	(19,575,163)	-	(981,130,909)
Impairment of assets	-	(1,019,563)	(5,247,073)	-	-	-	(6,266,636)
Net book amount	<u>104,185,950</u>	<u>156,007,560</u>	<u>96,135,911</u>	<u>3,455,570</u>	<u>2,066,257</u>	<u>18,612,371</u>	<u>380,463,619</u>

As at 31 December 2012 The Group and the Company had equipment which have been fully depreciated according to their useful live but are still. These are still in active use amounting to approximately Baht 567.7 million and 566.8 million, respectively (31 December 2011: Baht 547.8 million and 546.9 million, respectively).

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

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

As at 31 December 2012 and 2011, the Company has the overdrafts and short-term loans lines amounted to Baht 450.8 million and Baht 451.8 million, respectively. The facilities charge an interest at the rate of MOR per annum.

**15. TRADE AND OTHER PAYABLES**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Trade payables	39,109,978	35,556,013	39,109,978	35,556,013
Accrued commission expenses (Note 5.2)	4,534,783	4,293,705	3,919,556	3,933,923
Accrued expenses	45,787,840	29,175,317	44,569,302	28,427,543
Others	4,002,415	385,603	4,002,415	385,603
Total	<u>93,435,016</u>	<u>69,410,638</u>	<u>91,601,251</u>	<u>68,303,082</u>

**16. 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 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		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
For the year ended 31 December				
Defined benefit obligations at 1 January	26,241,311	23,095,014	24,899,344	21,824,793
Current service costs and interest	3,727,292	3,146,297	3,650,310	3,074,551
Benefit paid for the year	(380,400)	-	(380,400)	-
Defined benefit obligations at 31 December	<u>29,588,203</u>	<u>26,241,311</u>	<u>28,169,254</u>	<u>24,899,344</u>

Expense recognized in profit or loss for the year ended 31 December 2012 and 2011:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2012	2011	2012	2011
Current service costs	3,052,301	2,591,859	2,993,685	2,535,668
Interest on obligation	674,991	554,438	656,625	538,883
Total	<u>3,727,292</u>	<u>3,146,297</u>	<u>3,650,310</u>	<u>3,074,551</u>



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

The above expense recognized in profit or loss is recognized in the following line items for the year ended 31 December 2012 and 2011:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Costs of sales	2,817,253	2,521,981	2,817,253	2,521,981
Sales expenses	170,789	123,388	149,367	104,149
Administrative expenses	739,250	500,928	683,690	448,421
<b>Total</b>	<b>3,727,292</b>	<b>3,146,297</b>	<b>3,650,310</b>	<b>3,074,551</b>

Principal actuarial assumptions at the reporting date

	Consolidated and Separate financial statements
<b>For the year ended 31 December 2012 and 2011</b>	
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 TMO 2008 male and female tables

**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. DIVIDENDS PAID**

According to the resolution of the ordinary shareholders' meeting for the year 2012 held on 20 April 2012 had the resolution to approve the payment of cash dividends at Baht 0.14 per share to the shareholders of 381,145,725 shares totaling Baht 53.4 million from operational result of year 2011. The Company paid dividends on 11 May 2012.

According to the resolution of the ordinary shareholders' meeting for the year 2011 held on 29 April 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 27 May 2011.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**19. EXPENSES BY NATURE**

Significant expenses by nature are as follow :

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
Changes in finished goods, semi - finished products and raw materials	(19,970,570)	(16,306,648)	(19,970,570)	(16,306,648)
Purchase of finished goods	2,664,430	995,000	-	-
Purchase raw materials	531,803,570	527,219,316	531,803,570	527,219,316
Depreciation and amortization	61,749,248	66,977,615	61,367,612	66,604,462
Staff costs	258,632,087	205,355,105	256,742,365	203,754,317

**20. 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 31 December 2012 and 2011 are summarized as follows:

	In Thousand Baht					
	2012			2011		
	Promoted Business	Non- Promoted Business	Total	Promoted Business	Non- Promoted Business	Total
Export sales	924,390	268,995	1,193,385	679,557	340,338	1,019,895
Domestic sales	15,292	257,419	272,711	10,508	237,567	248,075
Total	<u>939,682</u>	<u>526,414</u>	<u>1,466,096</u>	<u>690,065</u>	<u>577,905</u>	<u>1,267,970</u>

**21. SEGMENT INFORMATION**

The Group are engaged in business of manufacturing and exporting of frozen fruits and vegetables and transmuted sweet corn distribution and operate in one geographical area in Thailand. Therefore, these financial statements do not present the geographical segment.

**22. PROVIDENT FUND**

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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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 31 December 2012 and 2011 amounted to Baht 1.1 million and Baht 1.4 million, respectively.

## **23. FINANCIAL INSTRUMENTS**

### **23.1 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.

### **23.2 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 has policies to hedge such risks by using derivative financial instruments. As at 31 December 2012, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 25.6 million in exchange of Baht 790.3 million with 3 commercial banks. The contract will be due in December 2013. Per comparative between fair value and contract value, the profit amounting Baht 13.6 million is incurred.

As at 31 December 2012, the Group has accrued commission amounting of U.S.Dollars 142,627 which are not hedged.

### **23.3 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.

### **23.4 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.

## **24. COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 December 2012

24.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.

24.2 The Company has commitments for software license and system consulting agreement amounting of Baht 0.9 million.

24.3 The Company has contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 9.5 million.

## **25. RECLASSIFICATION**

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

Certain accounts in the 2011 financial statements have been reclassified to conform to the presentation in the 2012 financial statements as follows:

	In Baht					
	Consolidated financial statements			Separate financial statements		
	Before Reclassification	Reclassification	After Reclassification	Before Reclassification	Reclassification	After Reclassification
<b>Statement of financial position</b>						
Trade and other receivable	-	58,593,091	58,593,091	-	58,039,592	58,039,592
Trade receivable – related companies	5,255,835	(5,255,835)	-	18,972,870	(18,972,870)	-
Trade receivable – other companies	49,787,448	(49,787,448)	-	35,683,762	(35,683,762)	-
Other current assets	-	2,513,344	2,513,344	-	2,427,124	2,427,124
Value added tax receivable	1,753,466	(1,753,466)	-	1,702,302	(1,702,302)	-
Other current assets	4,309,686	(4,309,686)	-	4,107,782	(4,107,782)	-
Trade and other payables	-	69,410,638	69,410,638	-	68,303,082	68,303,082
Trade payables	35,556,013	(35,556,013)	-	35,556,013	(35,556,013)	-
Accrued expenses – related companies	4,293,705	(4,293,705)	-	3,933,923	(3,933,923)	-
Accrued expenses – other companies	30,346,940	(30,346,940)	-	29,599,166	(29,599,166)	-
Payable from acquisition of assets	381,603	(381,603)	-	381,603	(381,603)	-
Other current liabilities	1,566,241	1,167,623	2,733,864	1,441,373	1,167,623	2,608,996

**26. APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements and separate financial statements have been approved by the Board of Directors of the Company on 26 February 2013.