

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE - MONTH PERIOD ENDED 31 MARCH 2013 (UNAUDITED)**

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 31 December 2012. 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 2012.

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 2012.

“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.

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3. APPLICATION OF NEW ACCOUNTING STANDARDS DURING THE PERIOD

The Federation of Accounting Professions issued the following accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance 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

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

TAS 12 *Income Taxes*

This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in the statement of financial position and its tax base in order to recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current quarter and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 6 to the financial statements.

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4. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2012, except for the change in the accounting policies due to the adoption of TAS 12 Income Taxes as follow:

Income tax

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

Current tax

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

Deferred tax

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Group recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Group review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Group record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

5. NEW ACCOUNTING STANDARDS ISSUED DURING THE PERIOD AND NOT YET EFFECTIVE

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During the current period, the Federation of Accounting Professions has issued notifications, already published in the Royal Gazette, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows.

	<u>Effective date</u>
Financial Reporting Standard:	
TFRS 4 Insurance Contracts	1 January 2016
Accounting Standard Interpretation:	
TSIC 29 Service Concession Arrangements: Disclosures	1 January 2014
Financial Reporting Standard Interpretations:	
TFRIC 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4 Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7 Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10 Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12 Service Concession Arrangements	1 January 2014
TFRIC 13 Customer Loyalty Programmes	1 January 2014

The management of the Group have assessed the effect of the above financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that they are not relevant to the business of the Group.

6. CUMULATIVE EFFECT OF THE CHANGE IN ACCOUNTING POLICIES DUE THE ADOPTION OF NEW ACCOUNTING STANDARD

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During the current period, the Company and its subsidiaries made the change described in Note 3 to the financial statements to its significant accounting policies, as a result of the adoption of TAS 12 Income Taxes. The cumulative effect of the change in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

The amounts of adjustments affecting the statements of financial position and the statements of comprehensive income are summarised below.

	In Baht					
	Consolidated			Separate		
	financial statements			financial statements		
	As at 31 March 2013	As at 31 December 2012	As at 1 January 2012	As at 31 March 2013	As at 31 December 2012	As at 1 January 2012
Statements of financial position						
Increase in deferred tax assets						
Allowance for doubtful accounts	125,739	112,757	232,398	125,739	112,757	232,398
Allowance for diminution of inventories	954,632	983,281	1,461,976	954,632	983,281	1,461,976
Employee benefit obligations	6,155,263	5,917,641	5,995,242	5,867,191	5,633,851	5,726,849
	<u>7,235,634</u>	<u>7,013,679</u>	<u>7,689,616</u>	<u>6,947,562</u>	<u>6,729,889</u>	<u>7,421,223</u>
Increase in retained earnings	7,235,634	7,013,679	7,689,616	6,947,562	6,729,889	7,421,223

	In Baht			
	For the three-month period ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012

Statements of comprehensive income

Profit or loss:

Increase (Decrease) in income tax	(221,955)	666,516	(217,673)	670,365
Increase (Decrease) in loss attributable to equity holders of the Company	221,955	(666,516)	217,673	(670,365)
Increase (Decrease) in basic earnings per share (Baht)	0.0006	(0.0017)	0.0006	(0.0018)

7. TRANSACTIONS WITH RELATED COMPANIES

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
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7.1 Relationships and pricing policies

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

<u>Subsidiary :</u>	<u>Relationship</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

7.2 Balances of transactions with subsidiary and related companies

	In Baht			
	Consolidated financial statements		Separate financial statements	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	18,546,062	13,495,707
Itochu Corporation Co., Ltd.	14,786,783	4,542,140	11,739,079	1,458,741
Ing shiang Co., Ltd.	685,041	1,294,423	685,041	1,294,423
Total	<u>15,471,824</u>	<u>5,836,563</u>	<u>30,970,182</u>	<u>16,248,871</u>
Accrued commission				
Itochu Corporation Co., Ltd.	385,098	1,221,070	266,954	605,843
P. P. Foods Supply Co., Ltd.	141,774	145,093	141,774	145,093
Ing shiang Co., Ltd.	825,197	3,168,620	825,197	3,168,620
Total	<u>1,352,069</u>	<u>4,534,783</u>	<u>1,233,925</u>	<u>3,919,556</u>
Deposit				
Agrifood Processing Co., Ltd.	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>

7. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

7.3 Revenue and expenses between the Company and related parties

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Revenue and expenses between the Company and related parties for the three-month period ended 31 March 2013 and 2012 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	59,158,521	59,331,222
Itochu Corporation Co., Ltd.	44,042,132	42,872,524	32,777,426	25,016,203
Ing shiang Co., Ltd.	526,068	3,331,337	526,068	3,331,337
Total	<u>44,568,200</u>	<u>46,203,861</u>	<u>92,462,015</u>	<u>87,678,762</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	168,900	168,900
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>191,400</u>
Commission expenses				
Itochu Corporation Co., Ltd.	912,973	1,027,967	662,279	629,915
P.P. Foods Supply Co., Ltd.	177,722	284,916	177,722	284,916
Ing shiang Co., Ltd.	833,291	778,229	833,291	778,229
Total	<u>1,923,986</u>	<u>2,091,112</u>	<u>1,673,292</u>	<u>1,693,060</u>
Directors and management's remuneration	<u>7,690,564</u>	<u>7,389,333</u>	<u>7,144,639</u>	<u>6,802,683</u>

8. SHORT - TERM INVESTMENTS

As at 31 March 2013, The Group has fixed deposit which are 4 and 6 month (31 December 2012: 6 and 11 months) bear interest at the rate of 3.05% - 3.50% per annum (31 December 2012: 3.00% - 3.50% per annum).

9. TRADE AND OTHER RECEIVABLES

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	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2013	2012	2013	2012
Trade receivable - related companies (Note 7.2)	15,471,824	5,836,563	30,970,182	16,248,871
Trade receivable - other companies	91,970,834	52,875,313	72,882,001	46,369,674
<u>Less</u> allowance for doubtful accounts	(30,000)	(30,000)	(30,000)	(30,000)
Trade receivable - other companies, Net	91,940,834	52,845,313	72,852,001	46,339,674
Total trade receivable	107,412,658	58,681,876	103,822,183	62,588,545
Advances for expenses	1,289,839	1,185,049	1,289,839	1,185,049
Other receivables	1,134,161	804,708	1,134,161	804,708
Total	109,836,658	60,671,633	106,246,183	64,578,302

Aging of trade accounts receivable as at 31 March 2013 and 31 December 2012 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2013	2012	2013	2012
Accounts receivable - related companies				
Not yet due receivable	14,786,783	5,085,548	30,285,141	15,497,856
Over due with 1 to 3 months	553,487	751,015	553,487	751,015
Over due with 4 to 6 months	131,554	-	131,554	-
Total accounts receivable - related companies	15,471,824	5,836,563	30,970,182	16,248,871
Accounts receivable - other companies				
Not yet due receivable	90,777,469	50,372,250	71,688,636	43,866,611
Over due with 1 to 3 months	1,163,365	2,473,063	1,163,365	2,473,063
Over 12 months	30,000	30,000	30,000	30,000
Total accounts receivable - other companies	91,970,834	52,875,313	72,882,001	46,369,674
<u>Less</u> Allowance for doubtful accounts	(30,000)	(30,000)	(30,000)	(30,000)
Total accounts receivable - other companies - net	91,940,834	52,845,313	72,852,001	46,339,674

10. ACCOUNTS RECEIVABLE - PLANTERS

	In Baht	
	Consolidated financial statements and Separate financial statements	
	31 March	31 December
	2013	2012
Accounts receivable- planters	18,738,377	50,297,032
<u>Less</u> allowance for doubtful accounts	(628,695)	(563,785)
Net	18,109,682	49,733,247

11. INVENTORIES

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
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Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Finished goods and semi - finished products	398,810,781	301,448,281	(4,392,528)	(4,363,581)	394,418,253	297,084,700
Raw material and supplies	36,962,454	36,056,122	(380,634)	(467,982)	36,581,820	35,588,140
Seeds, insecticide fertilizer	34,861,569	24,229,670	-	(84,840)	34,861,569	24,144,830
Total	470,634,804	361,734,073	(4,773,162)	(4,916,403)	465,861,642	356,817,670

12. PROPERTY, PLANT AND EQUIPMENT

	In Baht	
	Consolidated financial statements	Separate financial statements
For the three month period ended 31 March 2013		
Book value, beginning of period	381,281,051	380,463,619
Acquisition of assets	3,371,020	3,308,020
Disposals and amortization	(1,112)	(1,111)
Depreciation	(13,519,017)	(13,421,926)
Book value, end of period	371,131,942	370,348,602

13. TRADE AND OTHER PAYABLES

	In Baht			
	Consolidated financial statements		Separate financial statements	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
Trade payables	37,763,954	39,109,978	37,763,954	39,109,978
Accrued commission – related company (Note 7.2)	1,352,069	4,534,783	1,233,925	3,919,556
Accrued expenses	32,421,620	45,787,840	31,775,631	44,569,302
Other payables	818,315	4,002,415	818,315	4,002,415
Total	72,355,958	93,435,016	71,591,825	91,601,251

14. EMPLOYEE BENEFIT OBLIGATIONS

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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.

Movement in the present value of the defined benefit obligations:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
For the three month periods ended 31 March				
Defined benefit obligations at 1 January	29,588,203	26,241,311	28,169,254	24,899,344
Current service costs and interest	1,188,103	931,834	1,166,694	912,588
Defined benefit obligations at 31 March	<u>30,776,306</u>	<u>27,173,145</u>	<u>29,335,948</u>	<u>25,811,932</u>

15. SEGMENT INFORMATION

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

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 31 March 2013 and 2012, export sales of the Group was 98% of total sales.

16. INCOME TAX

Income tax expenses for the three-month periods ended 31 March 2013 and 2012 are made up as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Current income tax:				
Interim corporate income tax charge	4,064,544	4,336,153	3,979,641	4,336,153
Deferred tax:				
Relating to origination and reversal of temporary differences	(221,955)	666,516	(217,673)	670,365
Income tax expense reported in the statements of comprehensive income	<u>3,842,589</u>	<u>5,002,669</u>	<u>3,761,968</u>	<u>5,006,518</u>

17. FOREIGN CURRENCY RISK AND RISK MANAGEMENT

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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 31 March 2013, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 28.6 million in exchange of Baht 887.3 million with 3 commercial banks. The contract will be due in March 2014. Per comparative between fair value and contract value, the profit amounting Baht 41.2 million is incurred.

18. COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2013;

- 18.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 18.2 The Company has commitments for software license and system consulting agreement amounting of Baht 0.9 million.
- 18.3 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.

19. EVENTS AFTER THE REPORTING PERIOD

According to the resolution of the shareholders' meeting for the year 2013 held on 19 April 2013 had the resolution to approve the payment of cash dividends at Baht 0.28 per share to the shareholders of 381,145,725 shares totaling Baht 106.7 million from operational result of year 2012. Such dividend will be paid on 10 May 2013.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of directors on 14 May 2013.