

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE THREE - MONTH AND SIX - MONTH PERIODS ENDED 30 JUNE 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, 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 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 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.

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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 30 June 2013	As at 31 December 2012	As at 1 January 2012	As at 30 June 2013	As at 31 December 2012	As at 1 January 2012
Statements of financial position						
Increase in deferred tax assets						
Allowance for doubtful accounts	112,757	112,757	232,398	112,757	112,757	232,398
Allowance for diminution of inventories	695,685	983,281	1,461,976	695,685	983,281	1,461,976
Employee benefit obligations	6,355,863	5,917,641	5,995,242	6,063,509	5,633,851	5,726,849
	<u>7,164,305</u>	<u>7,013,679</u>	<u>7,689,616</u>	<u>6,871,951</u>	<u>6,729,889</u>	<u>7,421,223</u>
Increase in retained earnings	7,164,305	7,013,679	7,689,616	6,781,951	6,729,889	7,421,223

	In Baht				
	For the three-month period ended 30 June				
	Consolidated		Separate		
	financial statements	financial statements	financial statements	financial statements	
	2013	2012	2013	2012	
Statements of comprehensive income					
Profit or loss:					
Increase (Decrease) in income tax		71,330	(41,379)	75,612	(37,530)
Increase (Decrease) in loss attributable to equity holders of the Company		(71,330)	41,379	(75,612)	37,530
Increase (Decrease) in basic earnings per share (Baht)		(0.0002)	0.0001	(0.0002)	0.0001

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6. CUMULATIVE EFFECT OF THE CHANGE IN ACCOUNTING POLICIES DUE THE ADOPTION OF NEW ACCOUNTING STANDARD (CON'T)

	For the six-month period ended 30 June			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Statements of comprehensive income				
Profit or loss:				
Increase (Decrease) in income tax	(150,626)	625,137	(142,062)	632,835
Increase (Decrease) in loss attributable to equity holders of the Company	150,626	(625,137)	142,062	(632,835)
Increase (Decrease) in basic earnings per share (Baht)	0.0004	(0.0016)	0.0004	(0.0017)

7. TRANSACTIONS WITH RELATED COMPANIES

7.1 Relationships and pricing policies

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

	Relationship
<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
	Pricing policy
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

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7. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

7.2 Balances of transactions with subsidiary and related companies

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Trade accounts receivable (Note 9)				
Agrifood Processing Co., Ltd.	-	-	22,493,943	13,495,707
Itochu Corporation Co., Ltd.	14,790,791	4,542,140	12,593,571	1,458,741
Ing shiang Co., Ltd.	3,045,993	1,294,423	3,045,993	1,294,423
Total	<u>17,836,784</u>	<u>5,836,563</u>	<u>38,133,507</u>	<u>16,248,871</u>
Accrued commission (Note 13)				
Itochu Corporation Co., Ltd.	1,607,090	1,221,070	1,272,851	605,843
P. P. Foods Supply Co., Ltd.	227,162	145,093	227,162	145,093
Ing shiang Co., Ltd.	1,783,625	3,168,620	1,783,625	3,168,620
Total	<u>3,617,877</u>	<u>4,534,783</u>	<u>3,283,638</u>	<u>3,919,556</u>
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

7.3 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 June 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.	-	-	61,940,095	57,449,558
Itochu Corporation Co., Ltd.	52,695,562	45,736,054	43,690,810	39,447,007
Ing shiang Co., Ltd.	4,063,309	3,723,784	4,063,309	2,865,053
Total	<u>56,758,871</u>	<u>49,459,838</u>	<u>109,694,214</u>	<u>99,761,618</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.	1,180,297	976,046	964,155	853,588
P.P. Foods Supply Co., Ltd.	253,022	193,782	253,022	193,782
Ing shiang Co., Ltd.	881,788	853,070	881,788	853,070
Total	<u>2,315,107</u>	<u>2,022,898</u>	<u>2,098,965</u>	<u>1,900,440</u>
Directors and management's remuneration	<u>7,695,964</u>	<u>7,389,333</u>	<u>7,150,039</u>	<u>6,802,683</u>

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7. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

7.3 Revenue and expenses between the Company and related parties (Con't)

Revenue and expenses between the Company and related parties for the six-month period ended 30 June 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.	-	-	121,098,616	116,780,780
Itochu Corporation Co., Ltd.	96,737,694	88,608,578	76,468,236	64,463,210
Ing shiang Co., Ltd.	4,589,377	7,055,121	4,589,377	6,196,390
Total	<u>101,327,071</u>	<u>95,663,699</u>	<u>202,156,229</u>	<u>187,440,380</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	337,800	337,800
C.T.Prosper Group Co., Ltd.	45,000	45,000	45,000	45,000
Total	<u>45,000</u>	<u>45,000</u>	<u>382,800</u>	<u>382,800</u>
Commission expenses				
Itochu Corporation Co., Ltd.	2,093,270	2,004,013	1,626,434	1,483,503
P.P. Foods Supply Co., Ltd.	430,744	478,698	430,744	478,698
Ing shiang Co., Ltd.	1,715,079	1,631,299	1,715,079	1,631,299
Total	<u>4,239,093</u>	<u>4,114,010</u>	<u>3,772,257</u>	<u>3,593,500</u>
Directors and management's remuneration	<u>15,386,528</u>	<u>14,778,666</u>	<u>14,294,678</u>	<u>13,605,366</u>

8. SHORT - TERM INVESTMENTS

As at 30 June 2013, The Group has fixed deposit which are 6 and 13 month (31 December 2012 : 6 and 11 months) bear interest at the rate of 1.05% - 3.20% per annum (31 December 2012: 3.00% - 3.50% per annum).

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9. TRADE AND OTHER RECEIVABLES

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2013	2012	2013	2012
Trade receivable - related companies (Note 7.2)	17,836,784	5,836,563	38,133,507	16,248,871
Trade receivable - other companies	126,777,736	52,875,313	110,826,033	46,369,674
<u>Less</u> allowance for doubtful accounts	(30,000)	(30,000)	(30,000)	(30,000)
Trade receivable - other companies, net	126,747,736	52,845,313	110,796,033	46,339,674
Total trade receivable	144,584,520	58,681,876	148,929,540	62,588,545
Advances for expenses	4,450,071	1,185,049	4,450,071	1,185,049
Other receivables	1,387,241	804,708	1,387,241	804,708
Total	150,421,832	60,671,633	154,766,852	64,578,302

Aging of trade accounts receivable as at 30 June 2013 and 31 December 2012 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2013	2012	2013	2012
Accounts receivable - related companies				
Not yet due receivable	15,966,737	5,085,548	32,263,460	15,497,856
Over due with 1 to 3 months	1,870,047	751,015	1,870,047	751,015
Total accounts receivable - related companies	17,836,784	5,836,563	38,133,507	16,248,871
Accounts receivable - other companies				
Not yet due receivable	125,384,42	50,372,250	109,432,72	43,866,611
Over due with 1 to 3 months	5	2,473,063	2	2,473,063
Over 12 months	1,363,311	30,000	1,363,311	30,000
	30,000		30,000	
	126,777,73		110,826,03	
Total accounts receivable - other companies	6	52,875,313	3	46,369,674
<u>Less</u> Allowance for doubtful accounts	(30,000)	(30,000)	(30,000)	(30,000)
	126,747,73		110,796,03	
Total accounts receivable - other companies - net	6	52,845,313	3	46,339,674

10. ACCOUNTS RECEIVABLE - PLANTERS

	In Baht	
	Consolidated financial statements and Separate financial statements	
	30 June	31 December
	2013	2012
Accounts receivable - planters	28,763,645	50,297,032
<u>Less</u> allowance for doubtful accounts	(563,785)	(563,785)
Net	28,199,860	49,733,247

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11. INVENTORIES

Consolidated financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Finished goods and semi - finished products	326,041,204	301,448,281	(3,239,964)	(4,363,581)	322,801,240	297,084,700
Raw material and supplies	35,570,481	36,056,122	(225,380)	(467,982)	35,345,101	35,588,140
Seeds, insecticide fertilizer	41,377,286	24,229,670	(13,080)	(84,840)	41,364,206	24,144,830
Total	402,988,971	361,734,073	(3,478,424)	(4,916,403)	399,510,547	356,817,670

Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Finished goods and semi - finished products	325,033,289	301,448,281	(3,239,964)	(4,363,581)	321,793,325	297,084,700
Raw material and supplies	35,570,481	36,056,122	(225,380)	(467,982)	35,345,101	35,588,140
Seeds, insecticide fertilizer	41,377,286	24,229,670	(13,080)	(84,840)	41,364,206	24,144,830
Total	401,981,056	361,734,073	(3,478,424)	(4,916,403)	398,502,632	356,817,670

12. PROPERTY, PLANT AND EQUIPMENT

	In Baht	
	Consolidated financial statements	Separate financial statements
For the six month period ended 30 June 2013		
Book value, beginning of period	381,281,051	380,463,619
Acquisition of assets	6,923,201	6,860,201
Disposals and amortization	(80,089)	(80,088)
Depreciation	(33,818,640)	(33,623,162)
Book value, end of period	354,305,523	353,620,570

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13. TRADE AND OTHER PAYABLES

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	30 June	31 December	30 June	31 December
	2013	2012	2013	2012
Trade payables	50,634,156	39,109,978	50,634,156	39,109,978
Accrued commission - related companies (Note 7.2)	3,617,877	4,534,783	3,283,638	3,919,556
Accrued expenses	33,324,102	45,787,840	32,832,109	44,569,302
Other payables	487,350	4,002,415	487,350	4,002,415
Total	<u>88,063,485</u>	<u>93,435,016</u>	<u>87,237,253</u>	<u>91,601,251</u>

14. EMPLOYEE BENEFIT OBLIGATIONS

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	
	2013	2012	2013	2012
For the six month period ended 30 June				
Defined benefit obligations at 1 January	29,588,203	26,241,311	28,169,254	24,899,344
Current service costs and interest	2,376,206	1,863,667	2,333,388	1,825,176
Benefits paid by the plan	(185,100)	-	(185,100)	-
Defined benefit obligations at 30 June	<u>31,779,309</u>	<u>28,104,978</u>	<u>30,317,542</u>	<u>26,724,520</u>

15. DIVIDEND PAID

At the ordinary shareholders' meeting dated on 19 April 2013, the shareholders approved the payment of dividends at Baht 0.28 per share for 381,145,725 shares totaling Baht 106.7 million out of operating of the year 2012 and the Company has already paid for such dividends on 10 May 2013.

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.

16. 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.

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For three - month and six - month periods ended 30 June 2013 and 2012, export sales of the Group was 98% of total sales.

17. INCOME TAX

Income tax expenses for the three-month periods ended 30 June 2013 and 2012 are made up as follows:

	In Baht			
	Consolidated financial		Separate	
	statements		financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Current income tax:				
Interim corporate income tax charge	10,469,706	12,048,071	9,803,612	11,651,855
Deferred tax:				
Relating to origination and reversal of temporary differences	71,330	(41,379)	75,612	(37,530)
Income tax expense reported in the statements of comprehensive income	10,541,036	12,006,692	9,879,224	11,614,325

Income tax expenses for the six-month periods ended 30 June 2013 and 2012 are made up as follows:

	In Baht			
	Consolidated financial		Separate	
	statements		financial statements	
	2013	2012	2013	2012
		(Restated)		(Restated)
Current income tax:				
Interim corporate income tax charge	14,534,251	16,384,224	13,783,254	15,988,008
Deferred tax:				
Relating to origination and reversal of temporary differences	(150,626)	625,137	(142,062)	632,835
Income tax expense reported in the statements of comprehensive income	14,383,625	17,009,361	13,641,192	16,620,843

18. 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 June 2013, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 34.9 million in exchange of Baht 1,058.5 million with 3 commercial banks. The contract will be due in June 2014. Per comparative between fair value and contract value, the loss amounting Baht 36.6 million is incurred.

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19. COMMITMENT AND CONTINGENT LIABILITIES

As at 30 June 2013;

- 19.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 19.2 The Company has commitments for software license and system consulting agreement amounting of Baht 4.5 million.
- 19.3 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 9.5 million.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

These interim financial statements have been approved by the Company's Board of directors on August 2013. 13