

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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 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 Accounting 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 B.E. 2535.

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

The significant transactions between the Company and its subsidiary have been eliminated in the consolidated financial statements.

“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”.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

New accounting standards, new financial reporting standards, amendments to accounting standards and accounting framework

a) Accounting framework

The amendment of the accounting framework was announced by the Federation of Accounting Professions on May 26, 2010 with effect on May 26, 2010.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CON'T)

b) New accounting standards, new financial reporting standards and amendments to accounting standards

The following new accounting standards, new financial reporting standards and amendments to accounting standards were announced by the Federation of Accounting Professions and are mandatory for the accounting periods beginning on or after January 1, 2011 and January 1, 2013. The Group has elected not to early adopt these standards.

Effective for the period beginning on or after January 1, 2011

TAS 1 (Revised 2009)	Presentation of Financial Statements
TAS 2 (Revised 2009)	Inventories
TAS 7 (Revised 2009)	Statement of Cash Flows
TAS 8 (Revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (Revised 2009)	Events after the Reporting Period
TAS 11 (Revised 2009)	Construction Contracts
TAS 16 (Revised 2009)	Property, Plant and Equipment
TAS 17 (Revised 2009)	Leases
TAS 18 (Revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (Revised 2009)	Borrowing Costs
TAS 24 (Revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (Revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (Revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (Revised 2009)	Interests in Joint Ventures
TAS 33 (Revised 2009)	Earnings per Share
TAS 34 (Revised 2009)	Interim Financial Reporting
TAS 36 (Revised 2009)	Impairment of Assets
TAS 37 (Revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (Revised 2009)	Intangible Assets
TAS 40 (Revised 2009)	Investment Property
TFRS 2	Shared-based Payment
TFRS 3 (Revised 2009)	Business Combinations
TFRS 5 (Revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

Effective for the period beginning on or after January 1, 2013

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

Management has presently determined the effects from adoptions of the new accounting standards on the consolidated financial statements of the Group. Significant accounting standards for which having direct effect to the Group are as follows:

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CON'T)

TAS 16 (revised 2009) - Property, plant and equipment

The principal changes introduced by the revised TAS 16 and affecting the Group are that

- (a) Costs of asset dismantlement, removal and restoration have to be included as asset costs and subject to annual depreciation.
- (b) The depreciation charge has to be determined separately for each significant part of an asset.
- (c) In determining the depreciable amount, the residual value of an item of property, plant and equipment has to be measured at the amount estimated receivable currently for the asset if the asset were already of the age and in the condition expected at the end of its useful life. Furthermore, the residual value and useful life of an asset have to be reviewed at least at each financial year-end.

The revised TAS 16 (revised 2009) permits as a transitional provision that these changes may be introduced prospectively from the year of introduction. The Group intends to adopt this transitional provision which the management has already determined that no any material impact on the financial statements.

TAS 19 - Employee benefits

The accounting standard, Employee Benefits has been in effect for financial periods beginning on or after January 1, 2011. The Group therefore has not presently accounted for the costs of post-employment benefits under defined benefit plans; other long-term employee benefits; and termination benefits until such costs are incurred. This accounting standard includes the requirements to recognise expenses and provision for employee benefits in the period in which the service is performed. The standard requires actuarial assumptions to measure the obligations and expenses of long-term benefits and to measure on a discounted basis due to the settlement of these benefits would incur in the subsequent years of services. The transitional provisions of TAS 19 permit the transitional liability computed from period of service years of employees prior to its effective date, to be recognised and accounted for in four options. The Group has selected to adjust the amount to the retained earnings at the initial adoption of this standard.

Management has determined that the transitional liability as at January 1, 2011 for employee benefits is Baht 22.9 million for the Group and Baht 21.8 million for the Company and retained earnings for the Group would be decreased Baht 22.9 million and Baht 21.8 million for the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the Group are as follows:

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 balance sheets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

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.

4. SUMMARY OF SIGNIFICANT 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:

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 Non-operating assets

Non-operating assets are stated at the lower of cost and net realizable value.

4.8 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).

4.9 Finance leases

Leases of assets where the Group have substantially been transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized as assets and liabilities 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 between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The lease payment amount net of finance charges is recorded as the reduction of the outstanding liability. The depreciable assets acquired under finance leases are depreciated over the useful life of the assets.

4.10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

4.11 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 balance sheet 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.

4.12 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 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.

4.15 Financial instruments

Financial assets carried on the balance sheet include cash and cash equivalents, fixed deposit, trade accounts receivable, loan to and other accounts receivable. Financial liabilities carried on the balance sheet 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.

4.16 Related parties

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.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

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>
<u>Subsidiary :</u>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u>	
C&W Interfoods Co.,Ltd.	Common shareholder
Itochu Corporation Co., Ltd.	Shareholder
P.P. Foods Supply Co., Ltd.	Common shareholder
Ing Shiang Co., Ltd.	Common shareholder
Agri World Co.,Ltd.	Common Shareholders and directors
C.T.Prosper Group Co.,Ltd.	Common Shareholders and directors
Wonder Interfoods Co.,Ltd	Share held by close relative of 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
Loan to	At interest rate 3.25% per annum

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

5. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

5.2 Balances of transactions with subsidiary and related companies

Balances of transactions among the Company, Subsidiary and related companies as at December 31, 2010 and 2009 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	15,976,965	9,543,913
Itochu Corporation Co., Ltd.	4,531,292	5,031,350	1,839,614	3,065,855
P. P. Foods Supply Co., Ltd.	1,449,210	1,881,500	1,449,210	1,881,500
Ing shiang Co., Ltd.	2,412,837	1,134,487	2,412,837	1,134,487
Total	<u>8,393,339</u>	<u>8,047,337</u>	<u>21,678,626</u>	<u>15,625,755</u>
Accrued interest				
C&W Interfoods Co.,Ltd.	-	67,627	-	67,627
Long - term loans to				
C&W Interfoods Co.,Ltd.	-	24,500,000	-	24,500,000

In 2005 the Company entered into an agreement to lend to related company (C&W Interfoods Co.,Ltd.), amount to Baht 24.5 million. The full principal repayment was due within 2010. The interest is repayable on monthly basis at the last day of each month under the interest rate of 3.25% per annum. Such loan was guaranteed by Wonder Interfoods Co.,Ltd., which is the major shareholder of C&W Interfoods Co.,Ltd. and Mr.Nirand Pholpipattanapong, the director of C&W Interfoods Co.,Ltd. The company has received entire repayment of principal and interest receivable from related company on June 21, 2010.

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Accrued expenses				
Itochu Corporation Co., Ltd.	1,072,486	882,570	535,908	354,143
P. P. Foods Supply Co., Ltd.	287,839	379,771	287,839	379,771
Ing shiang Co., Ltd.	2,677,279	2,375,552	2,677,279	2,375,552
Agri World Co.,Ltd.	-	12,593	-	12,593
Total	<u>4,037,604</u>	<u>3,650,486</u>	<u>3,501,026</u>	<u>3,122,059</u>
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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5. TRANSACTIONS WITH RELATED COMPANIES (CON'T)

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 December 31, 2010 and 2009 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Revenues from sales				
Agrifood Processing Co., Ltd.	-	-	229,871,281	220,817,731
Itochu Corporation Co., Ltd.	202,234,102	180,196,249	135,775,204	124,680,790
P.P. Foods Supply Co., Ltd.	11,804,610	11,481,500	8,765,610	11,118,500
Ing shiang Co., Ltd.	5,489,709	4,581,605	5,489,709	3,931,813
Total	<u>219,528,421</u>	<u>196,259,354</u>	<u>379,901,804</u>	<u>360,548,834</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	620,400	620,400
C.T.Prosper Group Co.,Ltd.	90,000	90,000	90,000	90,000
Total	<u>90,000</u>	<u>90,000</u>	<u>710,400</u>	<u>710,400</u>
Interest revenue				
C&W Interfoods Co.,Ltd.	<u>373,038</u>	<u>796,250</u>	<u>373,038</u>	<u>796,250</u>
Commission expenses				
Itochu Corporation Co., Ltd.	4,158,872	3,592,901	2,797,542	2,515,287
P.P. Foods Supply Co., Ltd.	898,635	1,090,751	898,635	1,090,751
Ing shiang Co., Ltd.	2,814,850	2,438,723	2,814,850	2,438,723
Total	<u>7,872,357</u>	<u>7,122,375</u>	<u>6,511,027</u>	<u>6,044,761</u>
Service expenses				
Agri World Co.,Ltd.	<u>658,217</u>	<u>178,400</u>	<u>658,217</u>	<u>178,400</u>

6. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash on hand	129,716	125,153	124,716	115,153
Regular checking accounts	138,401	285,057	-	-
Saving accounts	180,275,779	262,065,602	159,413,937	132,355,352
Fixed deposits :				
Less than 3 months	-	5,521,965	-	110,000,000
Total	<u>180,543,896</u>	<u>267,997,777</u>	<u>159,538,653</u>	<u>242,470,505</u>

The weighted average effective interest rates of deposits at financial institutions were 0.25% per annum (2009: 0.5% – 0.75% per annum).

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7. SHORT – TERM INVESTMENTS

Short - term investments are deposits at financial institution which are 5 month and 8 month fixed deposits bear interest at the rate of 1.7% - 2.0% per annum (2009: 1.0% per annum).

8. TRADE ACCOUNTS RECEIVABLE – NET

The aging of outstanding balances as at December 31, 2010 and 2009 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Accounts receivable – Related Companies				
Not yet due	7,428,607	7,550,688	20,713,894	15,129,106
Over due with 1 month to 3 months	897,188	496,649	897,188	496,649
Over due with 4 months to 6 months	67,544	-	67,544	-
Total accounts receivable – Related Companies	<u>8,393,339</u>	<u>8,047,337</u>	<u>21,678,626</u>	<u>15,625,755</u>
Trade accounts receivable – Other Companies				
Not yet due	42,246,806	28,854,127	34,552,746	22,413,926
Over due with 1 month to 3 months	2,278,978	7,359,864	2,278,978	6,795,864
Over due 12 months	2,751,014	2,751,014	2,751,014	2,751,014
Total accounts receivable – Other Companies	<u>47,276,798</u>	<u>38,965,005</u>	<u>39,582,738</u>	<u>31,960,804</u>
<u>Less</u> Allowance for doubtful accounts	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>
Total accounts receivable – Other Companies- Net	<u>44,525,784</u>	<u>36,213,991</u>	<u>36,831,724</u>	<u>29,209,790</u>

9. INVENTORIES – NET

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2010	2009	2010	2009	2010	2009
Finished goods and semi - finished products	264,095,906	352,489,131	(1,445,769)	(1,400,639)	262,650,137	351,088,492
Raw material and supplies	30,303,046	34,275,583	(138,966)	(776,947)	30,164,080	33,498,636
Seeds, insecticide fertilizer	17,215,357	17,077,032	(71,114)	(61,122)	17,144,243	17,015,910
Total	<u>311,614,309</u>	<u>403,841,746</u>	<u>(1,655,849)</u>	<u>(2,238,708)</u>	<u>309,958,460</u>	<u>401,603,038</u>

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10. ACCOUNTS RECEIVABLE – PLANTERS – NET

	In Baht	
	2010	2009
Accounts receivable-planters	36,875,041	27,369,166
<u>Less</u> Allowance for doubtful accounts	(690,811)	(697,457)
Net	<u>36,184,230</u>	<u>26,671,709</u>

11. FIXED DEPOSITS PLEDGED AS COLLATERAL

As at December 31, 2010 and 2009, the subsidiary has fixed deposit amounted to Baht 14.5 million and Baht 14.4 million, respectively, which pledged as collateral against credit line from a local financial institution.

12. INVESTMENTS IN SUBSIDIARY

As at December 31, 2010 and 2009.

	Activities	Paid up	%	At Cost	(In
		Capital (In Baht)	Holdings	Baht)	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 - NET

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 December 31, 2009							
Cost	89,252,940	420,573,503	660,085,577	45,600,825	22,481,435	11,844,476	1,249,838,756
<u>Less</u> Accumulated depreciation	(6,307,701)	(216,254,808)	(520,708,031)	(32,617,815)	(19,965,975)	-	(795,854,330)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>82,945,239</u>	<u>204,318,695</u>	<u>133,848,711</u>	<u>12,983,010</u>	<u>2,515,460</u>	<u>11,844,476</u>	<u>448,455,591</u>
Transactions for the year ended December 31, 2010							
Opening net book amount	82,945,239	204,318,695	133,848,711	12,983,010	2,515,460	11,844,476	448,455,591
<u>Add</u> Acquisition	-	9,406,460	15,780,226	1,779,000	794,465	20,122,827	47,882,978
Transfer in (out)	-	10,482,487	11,779,134	-	-	(22,261,621)	-
Transfer to computer software	-	-	-	-	-	(2,391,041)	(2,391,041)
<u>Less</u> Disposals	-	-	(8,150)	(2)	(41)	-	(8,193)
Depreciation	-	(25,061,398)	(36,803,575)	(4,771,887)	(962,029)	-	(67,598,889)
Closing net book amount	<u>82,945,239</u>	<u>199,146,244</u>	<u>124,596,346</u>	<u>9,990,121</u>	<u>2,347,855</u>	<u>7,314,641</u>	<u>426,340,446</u>
As at December 31, 2010							
Cost	89,252,940	440,462,450	685,099,393	41,505,073	22,912,181	7,314,641	1,286,546,678
<u>Less</u> Accumulated depreciation	(6,307,701)	(241,316,206)	(554,974,212)	(31,514,952)	(20,564,326)	-	(854,677,397)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>82,945,239</u>	<u>199,146,244</u>	<u>124,596,346</u>	<u>9,990,121</u>	<u>2,347,855</u>	<u>7,314,641</u>	<u>426,340,446</u>

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13. PROPERTY, PLANT AND EQUIPMENT – NET (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
At December 31, 2009							
Cost	89,252,940	420,573,503	660,085,577	44,626,073	21,352,309	11,844,476	1,247,734,878
<u>Less</u> Accumulated depreciation	(6,307,701)	(216,254,808)	(520,708,031)	(31,645,200)	(18,903,358)	-	(793,819,098)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>82,945,239</u>	<u>204,318,695</u>	<u>133,848,711</u>	<u>12,980,873</u>	<u>2,448,951</u>	<u>11,844,476</u>	<u>448,386,945</u>
Transactions for the year ended December 31, 2010							
Opening net book amount	82,945,239	204,318,695	133,848,711	12,980,873	2,448,951	11,844,476	448,386,945
<u>Add</u> Acquisition	-	9,406,460	15,780,226	-	794,464	20,122,827	46,103,977
Transfer in (out)	-	10,482,487	11,779,134	-	-	(22,261,621)	-
Transfer to computer software	-	-	-	-	-	(2,391,041)	(2,391,041)
<u>Less</u> Disposals	-	-	(8,150)	(1)	(40)	-	(8,191)
Depreciation	-	(25,061,398)	(36,803,575)	(4,439,296)	(938,378)	-	(67,242,647)
Closing net book amount	<u>82,945,239</u>	<u>199,146,244</u>	<u>124,596,346</u>	<u>8,541,576</u>	<u>2,304,997</u>	<u>7,314,641</u>	<u>424,849,043</u>
At December 31, 2010							
Cost	89,252,940	440,462,450	685,099,393	39,726,073	21,794,955	7,314,641	1,283,650,452
<u>Less</u> Accumulated depreciation	(6,307,701)	(241,316,206)	(554,974,212)	(31,184,497)	(19,489,958)	-	(853,272,574)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>82,945,239</u>	<u>199,146,244</u>	<u>124,596,346</u>	<u>8,541,576</u>	<u>2,304,997</u>	<u>7,314,641</u>	<u>424,849,043</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

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

Net book value of land and structures thereon of the Company amounted to Baht 134.7 million (2009: Baht 142.6 million) were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions as discussed in Note 16 to the financial statements.

As at December 31, 2010, the Group and the Company has fully depreciated equipment which are still in use to approximately Baht 444.4 million and Baht 443.4 million, respectively. (2009: Baht 406 million and Baht 405 million, respectively)

14. NON OPERATING ASSET - NET

	In Baht		
	Land	Machineries and equipment	Total
As at December 31, 2009			
Cost	18,050,121	20,997,561	39,047,682
<u>Less</u> Accumulative depreciation	-	(14,526,326)	(14,526,326)
<u>Less</u> Allowance for impairment	-	(3,445,198)	(3,445,198)
Net book value	<u>18,050,121</u>	<u>3,026,037</u>	<u>21,076,158</u>
Transactions for the year ended December 31, 2010			
Opening net book value	18,050,121	3,026,037	21,076,158
<u>Add</u> Acquisition of assets	3,190,590	-	3,190,590
<u>Less</u> Depreciation during the year	-	(897,602)	(897,602)
Ending net book value	<u>21,240,711</u>	<u>2,128,435</u>	<u>23,369,146</u>
As at December 31, 2010			
Cost	21,240,711	20,997,561	42,238,272
<u>Less</u> Accumulative depreciation	-	(15,423,928)	(15,423,928)
<u>Less</u> Allowance for impairment	-	(3,445,198)	(3,445,198)
Net book value	<u>21,240,711</u>	<u>2,128,435</u>	<u>23,369,146</u>

Non operating land of the Company amounting of Baht 21.2 million (2009 : Baht 18.1 million) was prepared for the plant expansion in the future.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

15. COMPUTER SOFTWARE – NET

	<u>In Baht</u>
As at December 31, 2009	
Cost	1,690,810
<u>Less</u> Accumulative amortization	<u>(1,508,550)</u>
Net book value	<u>182,260</u>
Transaction for the year ended December 31, 2010	
Opening net book value	182,260
Transfer from property, plant and equipment	2,391,041
<u>Add</u> Acquisition of computer software	407,845
<u>Less</u> Amortization during the year	<u>(182,260)</u>
Ending net book value	<u>2,798,886</u>
As at December 31, 2010	
Cost	4,489,696
<u>Less</u> Accumulative amortization	<u>(1,690,810)</u>
Net book value	<u>2,798,886</u>

16. BANK OVERDRAFTS AND SHORT-TERM LOANS

As at December 31, 2010 and 2009, the Company has the overdrafts and short-term loans lines amounted to Baht 450.3 million and Baht 420 million, respectively. The facilities charge an interest at the rate of MOR per annum. Such overdrafts and short-term loans lines are secured over a part of the land and structures thereon and machineries of the company as discussed in Note 13 to the financial statements.

17. SHARE CAPITAL

- According to the resolution of the shareholders' meeting No.1/2009 held on April 30, 2009 the shareholders had the resolution as follows :
 - To approve the capital decreasing of the Company's authorized share capital from Baht 346,497,096 (346,497,096 of common shares with a par value of Baht 1 per share) to Baht 346,496,592 (346,496,592 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on May 12, 2009.
 - To approve the capital increasing amount to Baht 34,649,659 of the Company's authorized share capital from Baht 346,496,592 (346,496,592 of common shares with a par value of Baht 1 per share) to Baht 381,146,251 (381,146,251 of common shares with a par value of Baht 1 per share) The Company registered with the Ministry of Commerce on June 2, 2009.
- On May 29, 2009, the Company paid stock dividends to the existing shareholders at the ratio of 10 existing common shares to 1 new common shares (rounding off fraction) totaling 34,649,133 shares at the rate Baht 0.10 per share with a par value of Baht 1 per share amount to Baht 34,649,133. The paid up share capital increased to Baht 381,145,725 (381,145,725 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on June 2, 2009.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

18. 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.

19. DIVIDENDS PAID

According to the resolution of the ordinary shareholders' meeting for the year 2010 held on April 30, 2010 had the resolution to approve the payment of cash dividends at Baht 0.5 per share to the shareholders of 381,145,725 shares totaling Baht 190.6 million from operational result of year 2009. The Company paid dividends in 2 periods:

- On September 11, 2009, the Company paid interim dividend approved by the Board of Directors No.4/2009 held on August 13, 2009 at Baht 0.25 per share of 381,145,725 shares totaling Baht 95.3 million.
- The Company had already paid remaining dividend on May 27, 2010 at Baht 0.25 per share of 381,145,725 shares totaling Baht 95.3 million. However, dividends of Baht 1,375 were not paid to certain shareholders due to disqualification.

According to the resolution of the ordinary shareholders' meeting for the year 2009 held on April 30, 2009 had the resolution to approve the payment of cash dividends and stock dividends. To pay cash dividends from operations for the year 2007 - 2008 under the Board of Investment Promotional Certificate No.1465/2542 to the shareholders for 346,496,592 shares, at Baht 0.30 per share amounted to Baht 103,947,503 and to pay stock dividends from operations for the year 2007 - 2008 under the Board of Investment Promotional Certificate No.1465/2542 to the existing shareholders at the ratio of 10 existing common shares to 1 common shares (throw away fraction) at the rate Baht 0.10 per share amounted to 34,649,133 shares with a par value of Baht 1 per share amounted to Baht 34,649,133. The Company paid such dividends on May 29, 2009. However, dividends of Baht 1,475 were not paid to certain shareholders due to disqualification.

20. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Changes in finished goods, semi - finished products and raw materials	88,346,857	(57,761,945)	88,346,857	(57,761,945)
Purchase of finished goods	1,641,321	1,026,750	-	-
Purchase raw materials	414,494,876	494,259,042	414,494,876	494,259,042
Depreciation and amortization	68,678,751	69,118,551	68,322,509	68,903,054
Staff costs	194,557,037	179,824,941	193,006,387	178,250,352

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

21. PROMOTIONAL PRIVILEGES

By virtue of the provisions of Industrial Investment Promotion Act. B.E. 2520, the Company was granted certain privileges as follows :

- 21.1 Under the Board of Investment Promotional Certificate No. 1727/2531, exemption from payment of income tax for 7 years starting from the commencement date of the promoted business on February 1, 1990 to February 1, 1997.
- 21.2 Under the Board of Investment Promotional Certificate No.1063/2536, exemption from payment of income tax for 6 years starting from the commencement date of the promoted business on November 1, 1994 to November 1, 2000.
- 21.3 Under the Board of Investment Promotional Certificate No.1397/2537, exemption from payment of income tax for 8 years starting from the commencement date of the promoted business on March 3,1996 to March 3,2004.
- 21.4 Under the Board of Investment Promotional Certificate No.1465/2542 , exception from payment of income tax for 8 years starting from the commencement date of the promoted business on November 1, 2001 to November 1,2009.
- 21.5 Under the Board of Investment Promotional Certificate No.1545(3)/2547, exception from payment of income tax for 8 years starting from the commencement date of the promoted business.

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 December 31, 2010 and 2009 are summarized as follows:

	In Thousand Baht					
	2010			2009		
	Promoted Business	Non-Promoted Business	Total	Promoted Business	Non-Promoted Business	Total
Export sales	1,109,487	-	1,109,487	1,057,958	-	1,057,958
Domestic sales	237,422	2,163	239,585	234,736	1,371	236,107
Total	1,346,909	2,163	1,349,072	1,292,694	1,371	1,294,065

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

22. SEGMENT INFORMATION

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

The details of business segment information for the years ended December 31, 2010 and 2009 are as follows:

Consolidated financial statements

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2010	2009	2010	2009	2010	2009
Sales	1,363,673	1,318,791	3,905	2,664	1,367,578	1,321,455
Cost of sales	(1,025,369)	(910,324)	(3,490)	(3,069)	(1,028,859)	(913,393)
Gross profit (Loss)	338,304	408,467	415	(405)	338,719	408,062
Selling expenses	(128,037)	(118,809)	(328)	(213)	(128,365)	(119,022)
Profit (Loss) from operating	210,267	289,658	87	(618)	210,354	289,040
Gain on exchange rate					33,429	6,221
Other income					9,867	8,571
Central expenses					(94,019)	(90,734)
Profit before income tax					159,631	213,098
Income tax					(1,443)	(1,931)
Net profit					158,188	211,167
Property , plant and equipment - net by segment as at December 31,	350,278	370,647	31,119	31,939	381,397	402,586
Property , plant and equipment - net which cannot be classified by segment					44,943	45,870
Other assets					932,490	857,026
Total assets					1,358,830	1,305,482

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009

22. SEGMENT INFORMATION (CON'T)

The details of business segment information for the years ended December 31, 2010 and 2009 are as follows:

Separate financial statements

	In Thousand Baht					
	Frozen Products		Transmuted Products		Total	
	2010	2009	2010	2009	2010	2009
Sales	1,346,909	1,292,695	2,163	1,371	1,349,072	1,294,066
Cost of sales	(1,025,331)	(910,324)	(1,886)	(2,042)	(1,027,217)	(912,366)
Gross profit (Loss)	321,578	382,371	277	(671)	321,855	381,700
Selling expenses	(110,787)	(101,231)	(178)	(107)	(110,965)	(101,338)
Profit (Loss) from operating	210,791	281,140	99	(778)	210,890	280,362
Gain on exchange rate					29,645	3,606
Other income					9,796	8,935
Central expenses					(89,164)	(85,849)
Profit before income tax					161,167	207,054
Income tax					(1,443)	-
Net profit					159,724	207,054
Property , plant and equipment - net by segment as at December 31,	350,278	370,647	31,119	31,939	381,397	402,586
Property , plant and equipment - net which cannot be classified by segment					43,452	45,801
Other assets					920,338	840,978
Total assets					1,345,187	1,289,365

23. CORPORATION INCOME TAX

Corporation income tax has been calculated on net income for the period after adding back reserve provisions and expenses which are disallowable for tax computation purpose.

Royal Decree No. 475 B.E. 2551 dated August 6, 2008 grants companies listed on the Stock Exchange of Thailand a reduction in the corporate income tax rate from 30% to 25% for taxable profit not exceeding Baht 300 million for the three consecutive accounting periods beginning on or after January 1, 2008.

The subsidiary records income tax based on the actual amount currently payable according to the tax legislation at 30% of net profit.

24. PROVIDENT FUND

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 December 31, 2010 and 2009 amounted to Baht 1.6 million.

25. FINANCIAL INSTRUMENTS

As at December 31, 2010 the Company and subsidiary have no policy to perform speculate or trade the financial instrument transaction derivatives.

25.1 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.

25.2 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 have policies to hedge such risks by using derivative financial instruments. As at December 31, 2010, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 8.0 million in exchange of Baht 242.1 million with 3 commercial banks. The contract will be due in July 2011. Per comparative between fair value and contract value, the loss amounting Baht 2.7 million is incurred.

As at December 31, 2010, the Group have accrued commission amounting of U.S.Dollars 141,481 which are not hedged.

25.3 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.

25.4 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.

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010 AND 2009**

26. COMMITMENT AND CONTINGENT LIABILITIES

As at December 31, 2010

- 26.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.
- 26.2 The Company has commitments for software license with a local company amounting of Baht 0.9 million.
- 26.3 The Company were contingently liability for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.

27. RECLASSIFICATION

Certain amounts in the financial statements for the year ended December 31, 2009 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

	In Baht			
	Consolidated financial statement		Separate financial statements	
	Reclassification	As previously reported	Reclassification	As previously reported
Trade accounts payable	47,923,858	48,641,856	47,923,858	48,641,856
Payable from acquisition of assets	717,998	-	717,998	-

28. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at December 31, 2010 debt to equity ratio in the consolidated financial statements and separate financial statement are 0.07:1.

29. SUBSEQUENT EVENT

At the Board of Directors' meeting held on February 25, 2011, the Board approved to propose in the Shareholders' meeting to consider the approval of the appropriation of dividends of Baht 0.35 per share, amounting to Baht 133.4 million.

30. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements and separate financial statements have been approved by the Board of Directors of the Company on February 25, 2011.