

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

FINANCIAL STATEMENTS

AND REPORT OF CERTIFIED PUBLIC ACCOUNTANT

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

EXPRESSED IN THAI BAHT

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS

AS AT DECEMBER 31, 2007 AND 2006

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		2007	2006	2007	2006
<u>ASSETS</u>	<u>Notes</u>				<u>(Restated)</u>
CURRENT ASSETS					
Cash and cash equivalents	7	142,307,959	208,458,965	122,171,317	181,007,023
Current investments	8	50,000,000	-	50,000,000	-
Trade accounts receivable - related companies	6.2, 9	19,047,724	16,693,088	33,216,698	21,080,541
- other companies - net	9	43,559,316	38,077,020	30,730,324	33,268,904
Inventories-net	10	366,532,091	302,892,768	366,532,091	302,892,768
Other current assets					
Accounts receivable - planters- net	11	29,295,519	22,838,172	29,295,519	22,838,172
Value added tax receivable		2,573,109	3,385,924	2,519,868	3,306,182
Others		1,585,261	3,239,399	1,529,654	3,097,901
Total other current assets		33,453,889	29,463,495	33,345,041	29,242,255
TOTAL CURRENT ASSETS		654,900,979	595,585,336	635,995,471	567,491,491
NON - CURRENT ASSETS					
Investments in subsidiary	12	-	-	23,353,658	23,353,658
Long - term loan to related company	6.2	24,500,000	24,500,000	24,500,000	24,500,000
Property, plant and equipment - net	13	526,291,136	564,865,088	525,759,482	563,924,950
Non operating land	14	13,437,988	13,437,988	13,437,988	13,437,988
Intangible assets - net	15	858,584	1,196,745	858,584	1,196,745
Other non - current assets					
Fixed deposits pledged as collateral	16	10,375,838	3,118,892	-	-
Others		2,250,505	1,658,236	2,249,605	1,627,336
Total other non - current assets		12,626,343	4,777,128	2,249,605	1,627,336
TOTAL NON - CURRENT ASSETS		577,714,051	608,776,949	590,159,317	628,040,677
TOTAL ASSETS		1,232,615,030	1,204,362,285	1,226,154,788	1,195,532,168

The notes to the financial statements are an integral part of these financial statements.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

BALANCE SHEETS(CONTINUED)

AS AT DECEMBER 31, 2007 AND 2006

	Notes	In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		2007	2006	2007	2006
LIABILITIES AND SHAREHOLDERS' EQUITY					(Restated)
CURRENT LIABILITIES					
Trade accounts payable		38,593,017	29,333,382	38,593,017	29,333,382
Other current liabilities					
Accrued expenses		33,789,153	36,844,109	32,463,184	35,696,413
Others		2,458,974	1,581,873	1,369,891	1,444,862
Total other current liabilities		36,248,127	38,425,982	33,833,075	37,141,275
TOTAL CURRENT LIABILITIES		74,841,144	67,759,364	72,426,092	66,474,657
SHAREHOLDERS' EQUITY					
Share capital - Baht 1 par value	18				
Authorized shares					
346,497,096 common shares in 2007 and					
315,000,000 common shares in 2006		346,497,096	315,000,000	346,497,096	315,000,000
Issued and paid - up shares					
346,496,592 common shares in 2007 and					
314,997,360 common shares in 2006		346,496,592	314,997,360	346,496,592	314,997,360
Premium on share capital		68,000,000	68,000,000	68,000,000	68,000,000
Retained earnings					
Appropriated for legal reserve	20	34,650,000	30,710,000	34,650,000	30,710,000
Unappropriated		708,627,294	722,895,561	704,582,104	715,350,151
Total shareholders' equity		1,157,773,886	1,136,602,921	1,153,728,696	1,129,057,511
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,232,615,030	1,204,362,285	1,226,154,788	1,195,532,168

The notes to the financial statements are an integral part of these financial statements.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

		In Baht			
		Consolidated		Separate	
		financial statements		financial statements	
		2007	2006	2007	2006
					(Restated)
REVENUES					
Sales		1,051,450,745	1,320,368,088	1,033,022,619	1,047,810,887
Gain on exchange rate		3,134,990	15,273,826	2,835,633	15,273,826
Interest income		4,987,733	4,064,812	4,340,206	4,105,881
Reversal of provision for obsolescence		9,427,226	-	9,427,226	-
Other income		4,307,675	8,520,559	4,938,948	4,767,778
Total revenues		<u>1,073,308,369</u>	<u>1,348,227,285</u>	<u>1,054,564,632</u>	<u>1,071,958,372</u>
EXPENSES					
Cost of sales		782,305,446	967,878,240	781,821,413	749,040,120
Selling and administrative expenses		185,715,371	260,258,112	163,955,447	172,554,481
Loss on diminution of investment in subsidiary		-	-	-	16,849,335
Loss on disposal of investment	12	-	21,377,098	-	21,377,098
Director's remuneration		5,360,000	5,745,054	5,360,000	5,745,054
Total expenses		<u>973,380,817</u>	<u>1,255,258,504</u>	<u>951,136,860</u>	<u>965,566,088</u>
Income before interest expenses		99,927,552	92,968,781	103,427,772	106,392,284
Interest expenses		<u>(7,243)</u>	<u>(4,768,785)</u>	<u>(7,243)</u>	<u>(2,061)</u>
Income after interest expenses		99,920,309	88,199,996	103,420,529	106,390,223
Minority interest in net loss of subsidiary		<u>-</u>	<u>17,537,063</u>	<u>-</u>	<u>-</u>
NET INCOME		<u>99,920,309</u>	<u>105,737,059</u>	<u>103,420,529</u>	<u>106,390,223</u>
BASIC EARNINGS PER SHARE					
NET INCOME		<u>0.30</u>	<u>0.34</u>	<u>0.31</u>	<u>0.34</u>
Weighted average number of common shares	shares	<u>334,242,096</u>	<u>314,997,360</u>	<u>334,242,096</u>	<u>314,997,360</u>

The notes to the financial statements are an integral part of these financial statements.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

		In Baht					
		Issued and	Premium	Retained earnings			
		paid-up	on share	Appropriated	Minority		
<u>Notes</u>		<u>share capital</u>	<u>capital</u>	<u>for legal reserve</u>	<u>Unappropriated</u>	<u>interest</u>	<u>Total</u>
BALANCE	as at January 1, 2006	314,997,360	68,000,000	25,420,000	701,197,842	47,072,410	1,156,687,612
Dividends paid	19	-	-	-	(78,749,340)	-	(78,749,340)
Net income		-	-	-	105,737,059	-	105,737,059
Appropriated for legal reserve	20	-	-	5,290,000	(5,290,000)	-	-
Minority interest in net loss of subsidiary		-	-	-	-	(17,537,063)	(17,537,063)
Decrease in Minority interest from sale of subsidiary		-	-	-	-	(29,535,347)	(29,535,347)
BALANCE	as at December 31, 2006	<u>314,997,360</u>	<u>68,000,000</u>	<u>30,710,000</u>	<u>722,895,561</u>	<u>-</u>	<u>1,136,602,921</u>
BALANCE	as at January 1, 2007	314,997,360	68,000,000	30,710,000	722,895,561	-	1,136,602,921
Stock dividends	18	31,499,232	-	-	(31,499,232)	-	-
Dividends paid	19	-	-	-	(78,749,344)	-	(78,749,344)
Net income		-	-	-	99,920,309	-	99,920,309
Appropriated for legal reserve	20	-	-	3,940,000	(3,940,000)	-	-
BALANCE	as at December 31, 2007	<u>346,496,592</u>	<u>68,000,000</u>	<u>34,650,000</u>	<u>708,627,294</u>	<u>-</u>	<u>1,157,773,886</u>

The notes to the financial statements are an integral part of these financial statements.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

		In Baht				
		Issued and	Premium	Retained earnings		
		paid - up	on share	Appropriated		
Notes		share capital	capital	for legal reserve	Unappropriated	Total
BALANCE as at January 1, 2006 - as previously reported		314,997,360	68,000,000	25,420,000	701,197,842	1,109,615,202
Cumulative effect of the change in accounting policy						
for investments in subsidiary	5	-	-	-	(8,198,574)	(8,198,574)
BALANCE as at January 1, 2006 - as restated		314,997,360	68,000,000	25,420,000	692,999,268	1,101,416,628
Dividends paid	19	-	-	-	(78,749,340)	(78,749,340)
Net income		-	-	-	106,390,223	106,390,223
Appropriated for legal reserve	20	-	-	5,290,000	(5,290,000)	-
BALANCE as at December 31, 2006 - as restated		<u>314,997,360</u>	<u>68,000,000</u>	<u>30,710,000</u>	<u>715,350,151</u>	<u>1,129,057,511</u>
BALANCE as at January 1, 2007 - as previously reported		314,997,360	68,000,000	30,710,000	722,895,561	1,136,602,921
Cumulative effect of the change in accounting policy						
for investments in subsidiary	5	-	-	-	(7,545,410)	(7,545,410)
BALANCE as at January 1, 2007 - as restated		314,997,360	68,000,000	30,710,000	715,350,151	1,129,057,511
Stock dividends	18	31,499,232	-	-	(31,499,232)	-
Dividends paid	19	-	-	-	(78,749,344)	(78,749,344)
Net income		-	-	-	103,420,529	103,420,529
Appropriated for legal reserve	20	-	-	3,940,000	(3,940,000)	-
BALANCE as at December 31, 2007		<u>346,496,592</u>	<u>68,000,000</u>	<u>34,650,000</u>	<u>704,582,104</u>	<u>1,153,728,696</u>

The notes to the financial statements are an integral part of these financial statements.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	99,920,309	105,737,059	103,420,529	106,390,223
Adjustments to reconcile net income to net cash provided by operating activities				
Unrealized gain on exchange rate	(66,398)	(161,064)	(36,918)	(140,902)
Allowance for doubtful accounts	366,091	350,841	366,091	350,841
Provision for obsolescence (Reversal of)	(9,427,226)	67,958	(9,427,226)	67,958
Loss on diminution of investment in subsidiary	-	-	-	16,849,335
Loss on disposal of investment	-	21,377,098	-	21,377,098
Gain on disposal of equipment	(76,376)	(1,991,256)	(76,376)	(1,446,126)
Loss on written off assets	637,869	6,198,086	637,869	6,198,086
Depreciation	70,431,643	91,825,632	70,023,159	67,483,830
Amortization of withholding tax	57,342	-	-	-
Amortization of intangible assets	338,161	443,428	338,161	338,162
Minority interest in net loss of subsidiary	-	(17,537,063)	-	-
Income from operating activities before change in operational assets and liabilities	162,181,415	206,310,719	165,245,289	217,468,505
Decrease (Increase) in operational assets				
Trade accounts receivable - related companies	(2,351,900)	3,679,842	(12,135,462)	905,060
Trade accounts receivable - other companies	(8,155,882)	(12,264,414)	(159,261)	10,798,661
Inventories	(54,212,097)	(37,932,149)	(54,212,097)	(35,389,880)
Accounts receivable - planters	(4,102,424)	2,988,877	(4,102,424)	2,988,877
Value added tax receivable	812,815	(1,716,127)	786,314	(2,117,514)
Other current assets	1,654,138	(599,353)	1,568,247	(1,577,603)
Other non - current assets	(649,611)	553,167	(622,269)	1,055,348
Increase (Decrease) in operational liabilities				
Trade accounts payable	8,973,713	11,576,797	8,973,713	(12,397,940)
Accrued expenses	(3,038,722)	5,478,149	(3,220,179)	2,388,236
Other current liabilities	877,101	531,134	(74,971)	(5,011,023)
Net cash provided by operating activities	101,988,546	178,606,642	102,046,900	179,110,727

The notes to the financial statements are an integral part of these financial statements.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (Increase) in fixed deposits at financial institutions	(57,256,946)	1,028,093	(50,000,000)	-
Proceeds from receivable from disposal of investment	-	1,298,736	-	1,298,736
Proceeds from disposal of investment in subsidiary	-	-	-	7,000,000
Proceeds from disposal of investment in subsidiary, net of susidiary's cash balance (cash flows information 3)	-	3,349,205	-	-
Proceeds from disposal of equipment	1,256,818	2,341,939	1,256,818	1,491,939
Cash paid for acquisition of plant and equipment (cash flows information 2)	(33,390,080)	(79,494,637)	(33,390,080)	(70,774,572)
Net cash used in investing activities	(89,390,208)	(71,476,664)	(82,133,262)	(60,983,897)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase in bank overdraft	-	7,924,992	-	-
Repayment liabilities under finance lease agreements	-	(1,634,851)	-	-
Repayment of long-term loan from financial institution	-	(13,200,000)	-	-
Proceeds from long - term loan from related company	-	13,100,000	-	-
Paid dividends	(78,749,344)	(78,749,340)	(78,749,344)	(78,749,340)
Net cash used in financing activities	(78,749,344)	(72,559,199)	(78,749,344)	(78,749,340)
Net increase (decrease) in cash and cash equivalents	(66,151,006)	34,570,779	(58,835,706)	39,377,490
Cash and cash equivalents, beginning of year	208,458,965	173,888,186	181,007,023	141,629,533
Cash and cash equivalents, end of year	142,307,959	208,458,965	122,171,317	181,007,023
<u>Supplement disclosures of cash flows information</u>				
<u>1.Cash paid during the year for :-</u>				
Interest expense	7,243	4,723,420	7,243	2,061
Income tax	86,042	1,001,861	78,910	67,138
<u>2. Property, Plant and Equipment</u>				
Detail of acquisition of plant and equipment during the year are as follows :				
Acquisition of plant and equipment during the year	(33,676,002)	(80,756,653)	(33,676,002)	(71,584,238)
<u>Less</u> outstanding liabilities	285,922	1,262,016	285,922	809,666
Cash paid for acquisition of plant and equipment	(33,390,080)	(79,494,637)	(33,390,080)	(70,774,572)

The notes to the financial statements are an integral part of these financial statements.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006 (Restated)
<u>3.Sale of investment in subsidiary</u>				
At December 29, 2006, the company sold the investment in subsidiary				
with the net book value of assets at disposal date as follow:				
Cash and cash equivalents		3,650,795		
Trade accounts receivable - net		49,362,463		
Inventories		9,941,177		
Other current assets		1,820,406		
Property, plant and equipment - net		151,649,780		
Intangible assets - net		134,125		
Other non - current assets		2,018,533		
Bank overdrafts		(28,552,784)		
Trade accounts payable		(42,273,811)		
liabilities under finance lease agreements		(797,016)		
Current portion of long - term loan		(12,600,000)		
Accrued expenses		(9,799,773)		
Other current liabilities		(3,541,450)		
Long - term loans from related companies		<u>(63,100,000)</u>		
Net book value of assets		57,912,445		
<u>Less</u> Minority interest at disposal date		<u>(29,535,347)</u>		
Net book value of assets at the proportion of investment (49%)		28,377,098		
<u>Less</u> Loss on disposal of investment		(21,377,098)		
<u>Less</u> Cash and cash equivalents of subsidiary at disposal date		<u>(3,650,795)</u>		
Proceeds from disposal of investment in subsidiary,				
net of subsidiary's cash balance		<u><u>3,349,205</u></u>		

The notes to the financial statements are an integral part of these financial statements.