

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

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 Company and subsidiaries are engaged in business of manufacturing and exporting of frozen fruits and vegetable and transmuted sweet corn distribution. The registered office of the Company is located at 149/34 Soi Anglo Plaza, Surawongse road, Bangrak, Bangkok.

2. BASIS FOR FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS PREPARATION

The consolidated and the Company's 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 consolidated financial statements include the account of Chiangmai Frozen Foods Public Company Limited and Subsidiary, Agrifood Processing Co., Ltd. with the percentage of holding of 100% of authorized share.

The consolidated balance sheet and the consolidated statements of changes in shareholders' equity as at December 31, 2006 excluded the financial position of C&W Interfoods Co., Ltd., although the consolidated statements of incomes and cash flows have been prepared incorporating the results of the operations of such subsidiaries from January 1, 2006 to December 29, 2006 due to the Company disposed its subsidiary with the the percentage of holding of 49% to the related company, Wonder Interfoods Co.,Ltd on December 29, 2006. As a result of disposal, C&W Interfoods Co., Ltd changed its status from subsidiary to related company.

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

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Accounting Standards which are effective for the current year

TAS 44 (revised 2007) Consolidated Financial Statements and Separate Financial Statements
TAS 45 (revised 2007) Investments in Associates
TAS 46 (revised 2007) Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after January 1, 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standard No. 44, as discussed in Note 5. However, Thai Accounting Standards No. 45 and 46 have no impact on the financial statements since the Company does not have investments in jointly controlled entities and associates.

b) Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after January 1, 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the Company and subsidiaries' financial statements 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.

4.2 Accounts Receivable

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

4.3 Allowance For Doubtful Accounts

The Company and subsidiaries 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.

The Company and subsidiaries' management estimates the allowance for doubtful accounts at end of year as follows:

	<u>The percentage of allowance for doubtful account</u>
Accounts receivable	100 % of over 12 months accounts receivable
Receivables - planters	100 % of over 24 month receivables - planters

At the end of year, the Company and subsidiary reviewed the adequately allowance for doubtful accounts by individually accounts which its outstanding debts is overdue and potential uncollectable in all debts or partially.

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.

The Company's management estimates the allowance for obsolete at end of year as follows:

Product	The percentage of allowance for obsolete
Semi product	100 % of over 18 months semi product
Finished good	100 % of over 3 month finished goods
seeds	100 % of over 2 years seeds
Packaging	100 % of over 1 year packaging

At the end of year, the Company considers the physical of finished goods in the estimation of adequately allowance for obsolete.

4.5 Investments

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.

4.6 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:

	No. of Years
Buildings	20
Machineries and equipment	3-10
Vehicles	5
Office equipment and fixtures	5

When assets are sold or retired, the Company and subsidiaries will eliminated their costs and accumulated depreciation from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

Building-in-progress and machinery under installation are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended operational use.

4.7 Intangible asset and amortization

Intangible asset is computer software which is stated at historical cost and amortized using the straight line method over its useful live (3 – 5 years).

4.8 Finance Leases

Leases of assets where the Company and subsidiaries 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.

4.9 Impairment of Assets

The Company and subsidiaries 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 Company and subsidiaries 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.

4.10 Foreign Currency Transactions

Transactions in foreign currencies throughout the years are recorded in Baht at rates prevailing at the date of transactions. Outstanding foreign currency balances of assets and liabilities at the balance sheet dates are translated into Baht at the prevailing bank rates as of those dates. Transactions cover by foreign currency forward exchange contracts which are recorded at forward rates adjusted with unamortized premium. Gain or loss is credited or charged to current operations.

4.11 Provisions

Provisions are recognized when the Company and subsidiaries 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 subsidiaries expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

4.12 Revenue Recognition

The Company and subsidiaries recognized sales as income when goods are delivered and the risks and rewards are transferred to customers.

Interest incomes are recognized on an accrual basis.

4.13 Income Tax

The Company and subsidiaries recorded income tax based on the actual amount currently payable according to the Revenue Code.

4.14 Basic Earnings per Share

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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, trade accounts receivable, loan, fixed deposits and other receivable. Financial liabilities carried on the balance sheet include trade accounts payable, 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, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

5. CHANGE IN ACCOUNTING POLICY

Up to December 31, 2006, the Company recorded the investments in its subsidiaries using the equity method in the Company's financial statements.

On October 11, 2006, the Federation of Accounting Professionals (FAP) announced that the Thai Accounting Standard No. 44 (TAS No. 44) "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" is to be revised. FAP announcement No. 26/2006 requires a parent company which has investments in a subsidiary, jointly controlled entity and an associated company to record such investment in the separate financial statements in accordance with either the cost method or with the recognition and measurement basis for financial instruments (when an announcement is made), instead of the equity method currently used. This revision to TAS No.44 is applicable to the financial statements covering periods beginning on or after January 1, 2007.

Starting from January 1, 2007, the Company has, accordingly, changed the accounting policy for the investments in subsidiaries in the separate financial statements from the equity method to the cost method. The change in accounting policy has been applied retrospectively and the separate financial statements as at and for the year ended December 31, 2006, which are included in the financial statements for comparative purposes, were restated accordingly.

This change had no effect to the consolidated financial statements but effected to the separate financial statements as follows :

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	Million Baht	
	2007	2006
Balance sheets as at January 1,		
Decrease in retained earnings	(7.5)	(8.2)
Decrease in investment in subsidiary	(7.5)	(8.2)
Statements of income		
Decrease in share of loss from investments using the equity method		(17.5)
Increase in loss on diminution of investment in subsidiary		16.9
Increase in net income		0.6
Increase in earnings per share (In Baht)		0.002

The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investment in subsidiary” in the separate statement of changes in shareholders’ equity.

6. TRANSACTION WITH PERSON AND RELATED PARTIES

The Company has certain transactions with their subsidiaries, person and related companies. A portion of assets, liabilities, revenues and expenses arose from transactions with said Subsidiaries, person and related companies.

6.1 Relationships and pricing policies

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

	Relationship
<u>Subsidiary :</u>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u>	
C&W Interfoods Co.,Ltd.	Directorship
Itochu Corporation Co., Ltd.	Shareholder
P.P Foods Supply Co., Ltd.	Cross shareholding
Ing Shiang Co., Ltd.	Cross shareholding
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.

Since December 29, 2006 the relationship of C&W Interfoods Co.,Ltd. changed its status from subsidiary to related company.

	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
Loan to	At interest rate 3.25% per annum.
Service expense	At price which had been agreed upon

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6.2 Balances of transactions with subsidiaries, related person and companies

Balances of transactions among the Company, Subsidiaries, related person and companies as at December 31, 2007 and 2006 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Accounts receivable				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	16,845,141	6,151,039
Related companies				
Itochu Corporation Co., Ltd.	5,667,280	5,521,738	2,991,113	3,764,952
P P Foods Supply Co., Ltd	12,313,180	11,171,350	12,313,180	11,164,550
Ing shiang Co., Ltd.	1,067,264	-	1,067,264	-
Total	19,047,724	16,693,088	16,371,557	14,929,502
Grand Total	19,047,724	16,693,088	33,216,698	21,080,541
Accrued interest				
C&W Interfoods Co.,Ltd.	67,627	67,627	67,627	67,627
Long - term loans to				
	24,500,000	24,500,000	24,500,000	
C&W Interfoods Co.,Ltd.				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 with in the year 2010. The interest is repayable on monthly basis under the interest rate of 3.25 per annum. Such loan was guaranteed by Wonder Interfoods Co.,Ltd., which is the major shareholders of C&W Interfoods Co.,Ltd.and Mr.Nirand Pholpipattanapong ,the director of C&W Interfoods Co.,Ltd.

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Accrued commission expenses				
Related person	-	339,651	-	339,651
Related companies				
Itochu Corporation Co., Ltd.	1,082,757	1,297,786	957,151	1,189,143
P P Foods Supply Co., Ltd.	2,702,543	2,656,992	2,702,543	2,656,992
Ing shiang Co., Ltd.	420,253	575,760	420,253	575,760
Total	4,205,553	4,530,538	4,079,947	4,421,895
Grand Total	4,205,553	4,870,189	4,079,947	4,761,546
Accrued expenses				
Agri World Co.,Ltd	302,673	-	302,673	-
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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6.3 Revenue and expenses among the Company, subsidiaries, related persons and companies

Revenue and expenses among the Company, subsidiaries and related persons and companies for the years then ended December 31, 2007 and 2006 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Sales				
Subsidiary				
Agrifood Processing Co., Ltd.		-	180,469,291	135,528,004
Related companies				
C&W Interfoods Co.,Ltd.	33,000	-	-	-
Itochu Corporation Co., Ltd.	153,948,074	137,459,901	116,968,925	116,289,811
P.P Foods Supply Co., Ltd.	15,011,580	18,105,055	14,935,580	18,098,255
Ing shiang Co., Ltd.	1,946,132	2,346,172	1,946,132	593,336
Total	170,938,786	157,911,128	133,850,637	134,981,402
Grand Total	170,938,786	157,911,128	314,319,928	270,509,406
Disposal of investment in				
Subsidiary				
Wonder Interfoods Co.,Ltd	-	7,000,000	-	7,000,000
Other income				
Agrifood Processing Co., Ltd.	-	-	631,760	625,440
C.T.Prosper Group Co.,Ltd	90,000	90,000	90,000	90,000
Total	90,000	90,000	721,760	715,440
Interest revenue				
C&W Interfoods Co.,Ltd.	796,250	-	796,250	796,250
Commission Expenses				
Related companies				
Itochu Corporation Co., Ltd.	2,997,608	2,753,318	2,333,848	2,316,188
P.P Foods Supply Co., Ltd.	1,785,391	2,590,553	1,785,391	2,590,553
Ing shiang Co., Ltd.	870,068	1,115,013	870,068	1,115,013
Total	5,653,067	6,458,884	4,989,307	6,021,754
Accrued expenses				
Agri World Co.,Ltd	302,673	-	302,673	-

7. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Cash on hand	115,875	113,265	105,875	103,264
Regular checking accounts	622,247	80,027	-	-
Saving accounts	62,718,358	72,818,884	52,065,442	60,903,759
Fixed deposits : Less than 3 months	78,851,479	135,446,789	70,000,000	120,000,000
Total	142,307,959	208,458,965	122,171,317	181,007,023

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The weighted average effective interest rates of deposits at financial institutions were 0.50% – 3.00% per annum (2006: 0.50 % – 4.90 % per annum).

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8. CURRENT INVESTMENTS

Current investments are deposits at financial institution - fixed deposits period six months which bear interest at the rate of 2.80 % per annum

9. TRADE ACCOUNTS RECEIVABLE

The aging of outstanding balances as at December 31, 2007 and 2006 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2007	2006	2007	2006
Accounts receivable – Related Companies				
Not yet due receivables	7,341,280	8,106,738	21,510,254	12,494,191
Over due with 1 month to 3 months	4,201,464	4,613,600	4,201,464	4,613,600
Over due with 4 months to 6 months	4,068,760	3,972,750	4,068,760	3,972,750
Over due with 7 months to 12 months	3,436,220	-	3,436,220	-
Total accounts receivable – Related Companies	19,047,724	16,693,088	33,216,698	21,080,541
Trade accounts receivable – Other Companies				
Not yet due receivables	42,053,633	35,613,489	29,347,041	30,805,373
Over due with 1 month to 3 months	1,475,683	23,000	1,353,283	23,000
Over due with 7 months to 12 months	2,721,014	1,654,216	2,721,014	1,654,216
Over due 12 months	30,000	786,315	30,000	786,315
Total accounts receivable – Other Companies	46,280,330	38,077,020	33,451,338	33,268,904
<u>Less</u> Allowance for doubtful accounts	(2,721,014)	-	(2,721,014)	-
Total accounts receivable – Other Companies- Net	43,559,316	38,077,020	30,730,324	33,268,904

10. INVENTORIES – NET

	In Baht	
	Consolidated and Separate	
	financial statements	
	2007	2006
Finished goods and semi – products	317,943,090	270,886,329
Seeds, insecticide, fertilizer	24,172,086	18,773,874
Raw material and supplies	27,861,776	26,104,652
Total	369,976,952	315,764,855
<u>Less</u> Provision for obsolescence	(3,444,861)	(12,872,087)
Net	366,532,091	302,892,768

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11.ACCOUNTS RECEIVABLE – PLANTERS – NET

	In Baht	
	Consolidated and Separate	
	financial statements	
	2007	2006
Accounts receivable-planters	30,200,091	26,097,667
<u>Less</u> Allowance for doubtful accounts	(904,572)	(3,259,495)
Net	<u>29,295,519</u>	<u>22,838,172</u>

12.INVESTMENTS IN SUBSIDIARY

As at December 31, 2007 and 2006.

	Activities	Paid up	%	At Cost
		Capital (In Baht)	Holdings	(In Baht)
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution	30,000,000	100.0	<u>23,353,658</u>

According to the resolution of the extra - ordinary Shareholders Meeting no. 1 / 2006 held on November 6, 2006, the shareholders approved the disposal of 14,700,000 shares of C&W Interfoods Co., Ltd to the related company, Wonder Interfoods Co.,Ltd, at the selling price of Baht 0.4762 per share totaling amounting of Baht 7,000,000 in the condition that transferee (Wonder Interfoods Co.,Ltd. and Mr. Nirand Pholpipattanapong) must sign as guarantor on long-term loan to C&W Interfoods Co., Ltd. amounting of Baht 24.5 million effective from the date of transferring share to the date of loan repayment (June 21, 2010).

On December 29, 2006, The Company disposed the investment in C&W Interfoods Co., Ltd. to Wonder Interfoods Co.,Ltd. resulting in the loss on disposal of investment amounting of Baht 21.38 million recorded as “Loss on disposal of investment”.

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13.PROPERTY, PLANT AND EQUIPMENT - NET

CONSOLIDATED FINANCIAL STATEMENTS

	In Baht						
	Land	Building	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
As at December 31, 2006							
Cost	82,945,217	390,143,568	631,217,112	39,679,904	21,425,719	30,971,946	1,196,383,466
<u>Less</u> Accumulated depreciation	-	(153,018,350)	(428,312,909)	(26,258,108)	(18,400,176)	-	(625,989,543)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	82,945,217	237,125,218	197,375,368	13,421,796	3,025,543	30,971,946	564,865,088
For the year ended December 31,2007							
Opening net book amount	82,945,217	237,125,218	197,375,368	13,421,796	3,025,543	30,971,946	564,865,088
<u>Add</u> Acquisition	-	1,126,960	7,058,766	20,962	961,988	24,507,326	33,676,002
Transfer in (out)	-	27,054,657	19,622,656	-	-	(46,677,313)	-
<u>Less</u> Disposals	-	-	(1,814,149)	(1)	(4,161)	-	(1,818,311)
Depreciation charge	-	(22,618,258)	(42,037,051)	(4,259,549)	(1,516,785)	-	(70,431,643)
Closing net book amount	82,945,217	242,688,577	180,205,590	9,183,208	2,466,585	8,801,959	526,291,136
As at December 31, 2007							
Cost	82,945,217	418,325,186	651,990,539	39,270,960	21,213,677	8,801,959	1,222,547,538
<u>Less</u> Accumulated depreciation	-	(175,636,609)	(466,256,114)	(30,087,752)	(18,747,092)	-	(690,727,567)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	82,945,217	242,688,577	180,205,590	9,183,208	2,466,585	8,801,959	526,291,136

Net book value of land and structures thereon and portion of equipment amounted to Baht 162.3 million (2006: Baht 148.8 million) were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions as discussed in Note 17 to the financial statements.

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As at December 31, 2007 and 2006, the Company has fully depreciated equipment which are still in use to approximately Baht 376.9 million and Baht 326.5 million, respectively.

THE SEPARATE FINANCIAL STATEMENTS

	In Baht						
	Land	Building	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
At December 31, 2006							
Cost	82,945,217	390,143,568	631,217,112	38,705,152	20,357,881	30,971,946	1,194,340,876
<u>Less</u> Accumulated depreciation	-	(153,018,350)	(428,312,909)	(25,870,344)	(17,685,488)	-	(624,887,091)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>82,945,217</u>	<u>237,125,218</u>	<u>197,375,368</u>	<u>12,834,808</u>	<u>2,672,393</u>	<u>30,971,946</u>	<u>563,924,950</u>
For the year ended							
December 31, 2007							
Opening net book amount	82,945,217	237,125,218	197,375,368	12,834,808	2,672,393	30,971,946	563,924,950
<u>Add</u> Acquisition	-	1,126,960	7,058,766	20,962	961,988	24,507,326	33,676,002
Transfer in (out)	-	27,054,657	19,622,656	-	-	(46,677,313)	-
<u>Less</u> Disposals	-	-	(1,814,149)	(1)	(4,161)	-	(1,818,311)
Depreciation charge	-	(22,618,258)	(42,037,051)	(4,064,599)	(1,303,251)	-	(70,023,159)
Closing net book amount	<u>82,945,217</u>	<u>242,688,577</u>	<u>180,205,590</u>	<u>8,791,170</u>	<u>2,326,969</u>	<u>8,801,959</u>	<u>525,759,482</u>
At December 31, 2007							
Cost	82,945,217	418,325,186	651,990,539	38,296,208	20,145,839	8,801,959	1,220,504,948
<u>Less</u> Accumulated depreciation	-	(175,636,609)	(466,256,114)	(29,505,038)	(17,818,870)	-	(689,216,631)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>82,945,217</u>	<u>242,688,577</u>	<u>180,205,590</u>	<u>8,791,170</u>	<u>2,326,969</u>	<u>8,801,959</u>	<u>525,759,482</u>

Net book value of land and structures thereon and portion of equipment amounted to Baht 162.3 million (2006: Baht 148.8 million) were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions in Note 17 to the financial statements.

As at December 31, 2007 and 2006, the Company has fully depreciated equipment which are still in use to approximately Baht 376.9 million and Baht 326.5 million, respectively.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
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DECEMBER 31, 2007 AND 2006

14. NON OPERATING LAND

Unused land of the Company amounting of Baht 13.4 million to prepare for the plant expansion.

15. INTANGIBLE ASSETS – NET

	In Baht
	Consolidated and Separate financial statements
For the year ended December 31, 2007	
Opening net book value	1,196,745
<u>Less</u> Amortization during the year	(338,161)
Ending net book value	<u>858,584</u>
As at December 31, 2007	
Cost	1,690,810
<u>Less</u> Accumulative amortization	(832,226)
Net book value	<u>858,584</u>

16. FIXED DEPOSITS PLEDGED AS COLLATERAL

As at December 31, 2007 and 2006, the subsidiary has fixed deposit amounted to Baht 10.4 million and Baht 3.1 million, respectively which pledged as collateral against credit line from a local financial institution.

17. BANK OVERDRAFTS

As at December 31, 2007 and 2006, the Company has the overdrafts and short-term loans lines amounted to Baht 443.6 million and Baht 350.0 million, respectively which bears interest at the rate of MOR per annum. Such overdrafts and short-term loans lines are guaranteed by mortgaging land and structures thereon and pledging of machineries of the Company as discussed in Note 13 to the financial statements

18. SHARE CAPITAL

- According to the resolution of the shareholders' meeting No.1/2007 held on April 23, 2007 the shareholders had the resolution to approve as follows :
 - Approved the capital decreasing of the Company's authorized share capital from Baht 315,000,000 (315,000,000 of common shares with a par value of Baht 1 per share) to Baht 314,997,360 (314,997,360 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on May 1, 2007.
 - Approved the capital increasing amount to Baht 31,499,736 of the Company's authorized share capital from Baht 314,997,360 (314,997,360 of common shares with a par value of Baht 1 per share) to Baht 346,497,096 (346,497,096 of common shares with a par value of Baht 1 per share) The Company registered with the Ministry of Commerce on May 2, 2007.
- On May 23, 2007, the Company paid stock dividends to the existing shareholders at the ratio of 10 existing common shares to 1 common shares (throw away fraction) totaling 31,499,232 shares at the rate Baht 0.10 per share with a par value of Baht 1 per share amount to Baht 31,499,232. The paid up share capital increased amount 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 23, 2007

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

19. DIVIDENDS PAID

At shareholders' meeting No.1/2007 held on April 23, 2007 the shareholders had the resolution to approve the payment of cash dividends and stock dividends. To pay cash dividends from net income for the year 2006 under the Board of Investment Promotional Certificate No.1465/2542 to the shareholders for 314,997,360 shares, at Baht 0.25 per share amounted to Baht 78,749,344 and to pay stock dividends from net income for the year 2006 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 with a par value of Baht 1 per share amounted to Baht 31,499,232. The Company paid such dividends on May 23, 2007.

At the Ordinary Shareholders' Meeting for the year 2006 held on April 26, 2006, the shareholders were unanimously approved the payment of Dividends from net income for the year 2005 under the Board of Investment Promotional Certificate No. 1465/2542 to the shareholders for 314,997,360 shares, at Baht 0.25 per share amounted to Baht 78,749,340. Such dividends paid on May 25, 2006.

20. 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.

21. NUMBER OF EMPLOYEE AND STAFF COSTS

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Staff costs (Baht)	181,409,343	233,365,587	177,840,772	176,979,590
Number of employees as at December 31, (persons)	1,834	2,253	1,828	1,819

The staff costs in the Consolidated financial statements for the year 2006 was included the staff costs of C&W Interfoods CO., Ltd. amount to Baht 52,599,847 and 428 employees.

22. PROMOTIONAL PRIVILEGES

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

- 22.1 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.
- 22.2 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.
- 22.3 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.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

22.4 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.

22.5 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 the promotional certificate Results of the company's operations classified under promoted and non-promoted businesses for the year ended December 31, 2007 follow:

	In Baht		
	Promoted Business	Non-Promoted Business	Total
REVENUES			
Sales	1,030,554,307	2,468,312	1,033,022,619
Reversal of provision for obsolescence	9,901,811	(474,585)	9,427,226
Interest and other income	12,091,436	23,351	12,114,787
Total revenues	1,052,547,554	2,017,078	1,054,564,632
EXPENSES			
Cost of sales	778,111,149	3,710,264	781,821,413
Selling and administrative expenses	163,629,747	325,700	163,955,447
Directors' remuneration	5,347,515	12,485	5,360,000
Total expenses	947,088,411	4,048,449	951,136,860
Income(Loss) before interest expenses	105,459,143	(2,031,371)	103,427,772
Interest expenses	(7,224)	(19)	(7,243)
Net Income (Loss)	105,451,919	(2,031,390)	103,420,529

Results of the company's operations classified under promoted and non-promoted businesses for the year ended December 31, 2006 follow:

	In Baht		
	Promoted Business	Non-Promoted Business	Total
REVENUES			
Sales	1,038,868,538	8,942,349	1,047,810,887
Interest and other income	24,018,430	129,055	24,147,485
Total revenues	1,062,886,968	9,071,404	1,071,958,372
EXPENSES			
Cost of sales	735,995,719	13,044,401	749,040,120
Selling and administrative expenses	171,377,178	1,177,303	172,554,481
Loss on diminution of Investment in subsidiary	-	16,849,335	16,849,335
Loss on sale of investment	21,218,291	158,807	21,377,098
Directors' remuneration	5,696,590	48,464	5,745,054
Total expenses	934,287,778	31,278,310	965,566,088
Income(Loss) before interest expenses	128,599,190	(22,206,906)	106,392,284
Interest expenses	(2,050)	(11)	(2,061)
Net Income (Loss)	128,597,140	(22,206,917)	106,390,223

Definable direct cost and other income are allocated between promoted business and non-promoted business. Undefinable indirect cost and other income are allocated based on the proportion of revenues of each segment to the total revenues.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

23. SEGMENT INFORMATION

The Company and subsidiaries 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 year ended December 31, 2007 are as follows:

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	1,048,300,834	3,149,911	1,051,450,745
Cost of sales	(778,186,383)	(4,119,063)	(782,305,446)
Gross profit (loss)	270,114,451	(969,152)	269,145,299
Selling expenses	(99,261,753)	(202,134)	(99,463,887)
Income (loss) from operating	170,852,698	(1,171,286)	169,681,412
Interest and other income			21,857,624
Central expenses			(91,611,484)
Interest expenses			(7,243)
Net income			99,920,309
Property , plant and equipment by segment as at December 31, 2007	448,236,844	39,406,701	487,643,545
Property , plant and equipment which cannot be classified by segment			38,647,591
Other assets			706,323,894
Total assets			1,232,615,030

The details of segment information for the year ended December 31, 2006 are as follows:

Consolidated financial statements

	In Baht			
	Frozen Products	Transmuted Products	Bakery	Total
Sales	1,057,129,057	9,050,972	254,188,059	1,320,368,088
Cost of sales	(736,242,192)	(12,797,928)	(218,838,120)	(967,878,240)
Gross profit (loss)	320,886,865	(3,746,956)	35,349,939	352,489,848
Selling expenses	(102,723,095)	(840,459)	(44,807,500)	(148,371,054)
Income (loss) from operating	218,163,770	(4,587,415)	(9,457,561)	204,118,794
Interest and other income				27,859,197
Central expenses				(139,009,210)
Interest expenses				(4,768,785)
Minority interest in net loss				17,537,063
Net income				105,737,059
Property , plant and equipment by segment as at December 31, 2006	487,137,663	35,487,650		522,625,313
Property , plant and equipment which cannot be classified by segment				42,239,775
Other assets				639,497,197
Total assets				1,204,362,285
Fixed assets transferred to buyer as A result from sale of business			151,649,780	

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2007 AND 2006

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

The details of business segment information for the year ended December 31, 2007 are as follows:

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	1,030,616,474	2,406,145	1,033,022,619
Cost of sales	(778,186,383)	(3,635,030)	(781,821,413)
Gross profit (loss)	252,430,091	(1,228,885)	251,201,206
Selling expenses	(83,388,518)	(101,363)	(83,489,881)
Income (loss) from operating	169,041,573	(1,330,248)	167,711,325
Interest and other income			21,542,013
Central expenses			(85,825,566)
Interest expenses			(7,243)
Net income			103,420,529
Property , plant and equipment by segment as at December 31, 2007	448,236,844	39,406,701	487,643,545
Property , plant and equipment which cannot be classified by segment			38,115,937
Other assets			700,395,306
Total assets			1,226,154,788

The details of segment information for the year ended December 31, 2006 are as follows:

Separate financial statements (Restated)

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	1,039,151,464	8,659,423	1,047,810,887
Cost of sales	(736,242,192)	(12,797,928)	(749,040,120)
Gross profit (loss)	302,909,272	(4,138,505)	298,770,767
Selling expenses	(90,655,452)	(385,007)	(91,040,459)
Income (loss) from operating	212,253,820	(4,523,512)	207,730,308
Interest and other income			24,147,485
Central expenses			(108,636,174)
Loss on diminution of Investment in subsidiary			(16,849,335)
Interest expenses			(2,061)
Net income			106,390,223
Property , plant and equipment by segment as at December 31, 2006	487,137,663	35,487,650	522,625,313
Property , plant and equipment which cannot be classified by segment			41,299,637
Other assets			631,607,218
Total assets			1,195,532,168

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 year ended December 31, 2007 amounted to Baht 1.5 million (2006: Baht 1.4 million).

25. FINANCIAL INSTRUMENTS

As at December 31, 2007 the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction derivatives.

25.1 Credit risk

Credit risk is the exposure to the risk that the counterparties might discharge their obligations which could cause the Company to incur financial loss. The main financial assets that potentially subject to the Company to credit risk are trade accounts receivable and long-term loan to related company.

- Trade accounts receivable, The Company and subsidiary therefore does not anticipate material losses from its debt collection in excess of the allowance for doubtful accounts already set up in the accounts.
- Long-term loan to related company, the Company has managed credit risk by setting up appropriate credit limit and term which are granted, including personal and corporate guarantees as a means of mitigating the risk of financial loss from defaults. As at December 31, 2007 the Company has long-term loan to related company amounting of Baht. 24.5 million which is paid in all installments within the year 2010 and is paid interest at the rate of 3.25 per annum by monthly. Such loan is guaranteed by Wonder Interfoods Co., Ltd., which is the major shareholders of such related company and Mr. Nirand Pholpipattanapong as the director of such related company. The Company's management believes that the Company can get all loan repayment from the above related company.

25.2 Foreign Currency Risk and Risk Management

The Company and subsidiary exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Company and subsidiary have policies to hedge such risks by using derivative financial instruments. As at December 31, 2007, the Company and subsidiary have outstanding forward foreign exchange selling contracts and option contracts of a total of U.S. Dollars 0.90 million in exchange of Baht 30.5 million with 3 commercial banks. The contract will be due in May 2008.

As at December 31, 2007, liabilities of the Company and subsidiary which are not hedged as follows :

	<u>Currency</u>	<u>The Company only</u>
Accrued commission	U.S. Dollars	44,776

25.3 Interest rate risk

The Company and subsidiary 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 Company and subsidiaries used the following methods and assumptions in estimating the fair values of financial instruments. Because these financial instruments are in short-term maturity.

Cash and cash equivalents and accounts receivable; the carrying values approximate their fair values.

Accounts payable; the fair value based on the carrying value in the balance sheets.

Loans; the carrying values approximate their fair values

26. COMMITMENT AND CONTINGENT LIABILITIES

As at December 31, 2007

- 26.1 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 8.1 million.
- 26.2 The Company has commitment to pay the uncalled investments in Agrifood Processing Co.,Ltd. amounting to approximately Baht 90 million.
- 26.3 The Company has commitment for development information systems with a local company amounting of Baht 1.9 million
- 26.4 The Company has commitment for the installation of machine and equipment amounting of Baht 2.1 million.

27. APPROVAL OF FINANCIAL STATEMENTS

These the consolidated financial statements and the separate financial statements have been approved by the board of directors of the Company on February 28, 2008.