

## DESCRIPTION OF ANNUAL INFORMATION

ENDED OF DECEMBER 31 , 2007

## CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED

## PART 1

## EXECUTIVE SUMMARY

## GENERAL INFORMATION

|                    |   |
|--------------------|---|
| Name               | Chiangmai Frozen Foods Public Company Limited   |
| Office Location    | 149/34 Soi Anglo Plaza, Surawongse Road, Suriyawongse ,<br>Bangrak, Bangkok 10500   |
| Registration       | 0107537000513 (Old registration no. Bor Mor Jor 298)  |
| Telephone          | ( 662 ) 238 - 4091 , 634 - 0061 - 4   |
| Facsimile          | ( 662 ) 238 - 4090  |
| Home Page          | <a href="http://www.cmfrozen.com">www.cmfrozen.com</a>  |
| Business Type      | Manufacture and Export of Frozen Vegetables and Fruits Such as Green Beans,<br>Soy Beans, Carrot, Baby Corn, Sweet Corn, Mango, Orange, Pineapple, Rambutan,<br>Mangosteen, Lychee, Longan etc.                           |
| Capacity           | 27,000 Metric Tons per Year   |
| Factory ( Branch)  | 1st Plant No. 92 Moo 3, Chiangmai-Phrao Road, Nongjom, Sansai, Chiangmai<br>Province 50210, Thailand.<br><br>2nd Plant No. 299 Moo 14, Chiangmai-Phrao Road, Mae Fag Mai, Sansai,<br>Chiangmai Province 50290 , Thailand. |
| Registered Capital | 346,497,096 common shares each with par value 1 bahts and in the aggregate<br>value of 346,497,096 bahts.   |
| Paid-up Capital    | 346,496,592 common shares each with par value 1 bahts and in the aggregate<br>value of 346,496,592 bahts.   |

## SHARES IN JURISTIC PERSONS HELD BY THE COMPANY FROM 10 % UPWARDS .

|                            |   |
|----------------------------|---|
| Name                       | C & W Interfoods Co., Ltd.                                |
| Location                   | 101 Moo 1, Phayom, Wangnoi, Phanakornsriyudhya Province . |
| Business Type              | Manufacturer & Sell Frozen Dough and Bakery Products      |
| Registered Capital         | 300 Million Bahts   |
| Paid-up Capital            | 300 Million Bahts   |
| Percentage of Shareholding | 49 %  |

Remark : According to the resolution of the extra - ordinary Shareholders Meeting no. 1 / 2006 held on November 6, 2006, the shareholders approved the selling 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 total amount 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., amount of Baht 24.5 million effective from the date of transferring share to the date of loan repayment (June 21, 2010).

At December 29, 2006, The Company sold the investment in C&W Interfoods Co.,Ltd., to Wonder Interfoods Co.,Ltd., resulting in the loss on selling of investment on equity method amounting of Baht 21.38 million recorded as "Loss from selling investment "

|                            |  |
|----------------------------|--|
| Name                       | Agrifood Processing Co., Ltd.                                    |
| Location                   | 149 / 34 Soi Anglo Plaza, Surawongse Rd., Bangrak, Bangkok 10500 |
| Business Type              | Sell Frozen Sweet Corns and Canned Sweet Corns                   |
| Registered Capital         | 120 Million Bahts  |
| Paid-up Capital            | 30 Million Bahts   |
| Percentage of Shareholding | 100 %  |

## OTHER REFERRED PERSONS

|           |  |
|-----------|--|
| Registrar | Thailand Securities Depository Co.,Ltd.<br><br>62 The Stock Exchange of Thailand Building, 4, 6-7th Floor,<br>Rachadapisek Road, Klongtoey, Bangkok 10110, Thailand. |
|-----------|--|

|                              |   |
|------------------------------|---|
|                              | Tel. (662) 229-2800, 654-5599 Fax. (662) 359-1262-3   |
| <b>Auditor</b>               | Mr. Pradit Rodloytuk, C.P.A. (Thailand) No. 0218 or<br>Miss Nongram Laoha-areedilok, C.P.A. (Thailand) No. 4334<br>AST Master Office of 790/12 Thonglor Tower , Soi Thonglor 18,<br>Sukhumvit Road 55, Klongtoey, Bangkok 10110, Thailand.<br>Tel. (662) 381-5716, 381-8016 |
| <b>Legal Advisor</b>         | Mr. Wanchandr Sivaboonyawongs, Wisal & Associates Law Co.,Ltd.<br>83-85 Soi Anuman Rajathon, Dejo Road, Khet Bangrak,<br>Bangkok 10500, Thailand.<br>Tel. (662) 266-8217-8  |
| <b>Financial Institution</b> | Siam Commercial Bank Public Co., Ltd.<br>Calyon Corporate and Investment Bank - Bangkok Office<br>Mizuho Corporate Bank , Ltd. - Bangkok Office<br>Siam City Bank Public Co., Ltd.  |

( Unit : Thousand Baht )

| INFORMATION FROM FINANCIAL STATEMENTS | Consolidated |           |           | The Company Or |           |
|---------------------------------------|--------------|-----------|-----------|----------------|-----------|
|                                       | 2007         | 2006      | 2005      | 2007           | 2006      |
| Total assets                          | 1,232,615    | 1,204,362 | 1,335,632 | 1,226,155      | 1,195,532 |
| Total liabilities                     | 74,841       | 67,759    | 178,945   | 72,426         | 66,475    |
| Shareholders' equity                  | 1,157,774    | 1,136,603 | 1,156,687 | 1,153,729      | 1,129,057 |
| Sale revenue                          | 1,051,451    | 1,320,368 | 1,306,598 | 1,033,023      | 1,047,811 |
| Total income                          | 1,073,308    | 1,348,227 | 1,323,603 | 1,054,565      | 1,071,958 |
| Gross profit                          | 269,145      | 352,490   | 326,151   | 251,201        | 298,771   |
| Net profit (loss)                     | 99,920       | 105,737   | 88,386    | 103,421        | 106,390   |

FINANCIAL RATIO

|                                   |      |      |      |      |      |      |
|-----------------------------------|------|------|------|------|------|------|
| Net profit ratio per total income | %    | 9.31 | 7.84 | 6.68 | 9.81 | 9.92 |
| Return on equity                  | %    | 8.63 | 9.30 | 7.64 | 8.96 | 9.42 |
| Return on assets                  | %    | 8.11 | 8.78 | 6.62 | 8.43 | 8.90 |
| Net profit (loss) per share       | Baht | 0.30 | 0.34 | 0.32 | 0.31 | 0.34 |
| Annual Dividend per share         | Baht | 0.30 | 0.25 | 0.25 | 0.30 | 0.25 |
| Stock Dividend per share          | Baht | -    | 0.10 | -    | -    | 0.10 |
| Book value per share              | Baht | 3.46 | 3.61 | 4.18 | 3.45 | 3.58 |
| Net assets value per share        | Baht | 3.69 | 3.82 | 4.82 | 3.67 | 3.80 |

Remark : Weighted average number of common shares for the year 2005 = 277,025,712 shares,  
year 2006 = 314,997,360 shares and year 2007 = 334,242,096 shares

CLARIFICATION OF CHAIRMAN OF BOARD OF DIRECTORS

To : The Shareholders ;

In the year 2007, the company earned total income amount 1,073 million bahts, reduced from the year 2006 amount 275 million bahts comes to 20.4 % , having net profit amount 99.9 million bahts, decreased by amount 5.8 million bahts comes to 5.5 % , having sale volumn in the year 2007 amount 21,850 metric tons increased from the year 2006 amount 670 metric tons or 3.2 %. Though sale volumn of the company will be increased but having net profit decreased due to affect of the stronger exchange rate received by the company. However, the company would intend conducting to move forward to the growth by holding the execution principle under the principle of good corporate governance.

As for the year in 2008 , the company puts sale target at 23,100 metric tons. Lastly, the company believes that under an endeavour and confident of the customers toward the company would help the company enabling to score a success in proceeding the business and has good business result in order the company could be able to pay dividend to the shareholders regularly.

(Mr. Prayoon Pholpipattanaphong)

February 9, 2008.

Chairman

## CLARIFICATION OF CHAIRMAN OF THE AUDIT COMMITTEE

To : The Shareholders ;

The Board of Audit Committee were established through the Board of Company Directors' resolution , comprises three independent non-executives directors, namely Mr. Santichai Suakanonth as Chairman of the Board of Audit Committee, Mr. Amnuay Yossuck, Ph.D. and Mr. Ampon Ruayfupant as a Audit Committees have performed the duties is assigned from the Board of Company Director which mentioned clearly in the Audit Committee Charter which according to the provision of the Stock Exchange of Thailand.

During the year 2007, the Board of Audit Committee conducted 4 meetings with External Auditors, Management and Internal Auditor to review limit and responsibility having the significant duties to be summarized as follows :

1. Review the financial statement quarterly and annual financial statement of 2007 and adequately obtaining the clear explanations and analysis from the Management and Auditor in related subject. Therefore, the Audit Committee's opinion is in line with the External Auditors that said quarterly and annual financial statements are presented fairly and sufficiently disclosed for all material respects in conformity with the generally accepted accounting principles.
2. Review the disclosure of connected and related party transactions between the company , subsidiary company and concerned company and found that such information was adequately and correctly disclosed.
3. Review the compliance with the related laws and regulation and found no material flaw.
4. Promote the independence of internal audit operation, agreeing with internal audit plan and reviewing the adequacy and effective internal control system and found no significant weakness of control the may have adverse impact.
5. Recommending the Board of Company Director to propose AST Master Company Limited as the company's auditor for the year 2008 prior to submission by the General Shareholder Meeting. The auditor, comply with the 5 year auditor rotation regulation of The Securities and Exchange Commission , is Mr. Pradit Rodloytuk and/or Miss Nongram Laoha-areedilok.

(Mr. Santichai Suakanonth)

February 29., 2008

Chairman of Audit Committee

## PART 2

### STOCK ISSUANCE COMPANY

Chiangmai Frozen Foods Public Company Limited was manufacturing & Export frozen vegetables & fruits by having located at 149 / 34 Soi Anglo Plaza, Surawongse Road, Kwaeng Suriyawongse, Khet Bangrak, Bangkok 10500, Thailand. Registered No. 0107537000513 (old registered no. Bor Mor Jor 298), Home Page : [www.cmfrozen.com](http://www.cmfrozen.com) E-mail : [info@cmfrozen.com](mailto:info@cmfrozen.com) Telephone (662) 238-4091, 634-0061-4 Facsimile (662) 238-4090

#### 1. RISK

##### NATURE FACTOR

The company is a manufacturer and dealer of frozen fruits and vegetables which mainly use Green Beans and Soy Beans as raw material for producing at ratio 32 % of producing cost . But since these raw materials are the agriculture raw material that mainly depends on the season and nature factors , therefore the company may affect from its shortage .

To serve this risk , the company would increase more volume of producing in next stage due to raw material could be able to grow 2-3 stages a year and harvesting life is about 30 days . Therefore , if the problem arises in any stage of growing , the company would increase more growing area in next stage .

MARKETING

The company has presently exported Frozen Fruits and Vegetables product to Japan market valued 722.5 million bahts or 68.5 % of total income which this dependence on Japan market at high proportion would affect the company business from their economic depressed . and/or change of the trade policy in that country .

However , as the products of the company which is food type necessary for standard of living and Japanese peoples like to consume Soy Beans and Frozen Soy Beans , so the affective from depending Japan market as a main would not be so risk .

To prevent from such risk , the company must try to look for moremarket in Europe and U.S.A. by 2007 , the company could be able to export to such markets at 8.9 % of total income .

EXCHANGE RATE

As the company has its value export at 78.3 % of total income with all currency sold in US Dollar , so the company may affect due to strong exchange rate which make the company receive less Baht value from less exchange rate .

The measurement to reduce risk in this case , the company has made a US exchange forward contract which can reduce risk from foreign exchange rate in moderate which the company will make advance sell about 300,000 - 1,000,000 US Dollars per time .

QUALITY PRODUCTS

Quality products that must free from chemical causes the company having risk in returning products from the customers if incapable to control the quality to free from chemical as agreed with the customers .

The standard measure of controlling quality products which is effected from chemical residue , the company has paid much strictness on using chemical in which the company has arranged detector for chemical residue which presently the company available 6 detectors to capable to detect the chemical residue covering 200 kinds whereas the company uses the chemical only 12 kinds .

2. BUSINESS CHARACTER

1) HISTORY

The company has manufactured and exported frozen fruits and vegetables since 1990 under joint - venture between Thai , Taiwan and Japan with appointed board of directors comprised 4 directors from Thai led by Mr. Prayoon Pholpipattanaphong and 3 foreigners ( exclude independent directors ) . The company has permitted from the Stock Exchange of Thailand to be a registered company on January 19,1993 and started buying - selling shares in the Stock Exchange on January 25, 1993 . Furthermore , the company has obtained investment promotion from the investment promotion committee since 1988 till present .

2) TO CARRY ON BUSINESS OF THE COMPANY , SUBSIDIARY COMPANY AND INCOME RATIO

The company is a manufacturer and exporter of Frozen Fruits and Vegetables which to be brought the agricultural products as raw materials to pass the processing methods then direct to freeze at temperature approx. 25 degrees celsius.

The products of the company are categorized as follows :

- Frozen vegetables such as Green Beans, Soy Beans, Carrot , Baby Corn, Sweet Corn etc.
- Frozen fruits such as Mango, Pineapple, Rambutan, Mangosteen, Lychee , Longan etc.
- Canned Sweet Corns , Pouch Corns .

| In Thousand Baht.    |           |      |   |      |           |      |
|----------------------|-----------|------|---|------|-----------|------|
| STRUCTURE OF REVENUE |           |      | Chiangmai Frozen Foods Public Company Limited |      |           |      |
| Products             | 2007      |      | 2006  |      | 2005      |      |
|                      | Amount    | %    | Amount  | %    | Amount    | %    |
| Frozen Vegetables    | 1,020,740 | 96.8 | 1,023,872                                     | 95.5 | 1,054,779 | 95.2 |
| Frozen Fruits        | 9,814     | 0.9  | 15,280  | 1.4  | 14,398    | 1.3  |

|                         |           |       |           |       |           |       |
|-------------------------|-----------|-------|-----------|-------|-----------|-------|
| Sweet Corns             | 2,406     | 0.2   | 8,659     | 0.8   | 11,842    | 1.1   |
| Service                 | -         | -     | -         | -     | 2,898     | 0.3   |
| Gain from exchange rate | 2,836     | 0.3   | 15,274    | 1.4   | 1,335     | 0.1   |
| Others income           | 18,769    | 1.8   | 8,873     | 0.9   | 22,326    | 2.0   |
| Total                   | 1,054,565 | 100.0 | 1,071,958 | 100.0 | 1,107,578 | 100.0 |

#### PRODUCT MARKETS

|                         |           |       |           |       |           |       |
|-------------------------|-----------|-------|-----------|-------|-----------|-------|
| Overseas                | 825,920   | 78.3  | 885,466   | 82.6  | 941,633   | 85.0  |
| Domestic                | 207,102   | 19.6  | 162,345   | 15.1  | 139,386   | 12.6  |
| Service                 | -         | -     | -         | -     | 2,898     | 0.3   |
| Gain from exchange rate | 2,836     | 0.3   | 15,274    | 1.4   | 1,335     | 0.1   |
| Others income           | 18,707    | 1.8   | 8,873     | 0.9   | 22,326    | 2.0   |
| Total                   | 1,054,565 | 100.0 | 1,071,958 | 100.0 | 1,107,578 | 100.0 |

Remark : Domestic sale, partly from indirect export which is exported by Agrifood Processing Co.,Ltd. (Subsidiary)

| NATURE OF CUSTOMERS       | Percentage     |                 |        |
|---------------------------|----------------|-----------------|--------|
|                           | Oversea Market | Domestic Market | Total  |
| Total sale value          | 80.00          | 20.00           | 100.00 |
| Sale of frozen vegetables | 80.00          | 20.00           | 100.00 |
| Sale of frozen fruits     | 93.00          | 7.00            | 100.00 |

| OPERATION CYCLE  | Percentage |        |        |
|------------------|------------|--------|--------|
|                  | 2007       | 2006   | 2005   |
| Sales statistics |            |        |        |
| 1st Quarter      | 23.04      | 21.65  | 17.87  |
| 2nd Quarter      | 33.18      | 33.31  | 31.74  |
| 3rd Quarter      | 23.34      | 26.59  | 26.85  |
| 4th Quarter      | 20.44      | 18.45  | 23.54  |
| Total            | 100.00     | 100.00 | 100.00 |

#### SUBSIDIARY COMPANY

C & W Interfoods Co., Ltd., produces and distributes Frozen Dough and Bakery Products by using wheat flour as raw material through the processing method and freezing under average temperature of -25 degrees celcius .

The Company products : Bread , Cakes , Cookies , all kind of bakes , wheat flour and Frozen bread with production capacity 5,000 pieces per hour .

Nature of Income

C & W Interfoods Co., Ltd.

( Unit : Thousand baht )

|                    | 2006    |       | 2005    |       |
|--------------------|---------|-------|---------|-------|
|                    | Amount  | %     | Amount  | %     |
| Revenue from Sales | 254,188 | 98.3  | 188,203 | 98.1  |
| Others income      | 4,394   | 1.7   | 3,618   | 1.9   |
| Total              | 258,582 | 100.0 | 191,821 | 100.0 |

Remark : According to the resolution of the extra - ordinary Shareholders Meeting no. 1 / 2006 held on November 6, 2006, the shareholders approved the selling 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 total amount 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., amount of Baht 24.5 million effective from the date of transferring share to the date of loan repayment (June 21, 2010).

At December 29, 2006, The Company sold the investment in C&W Interfoods Co.,Ltd., to Wonder Interfoods Co.,Ltd., resulting in the loss on selling of investment on equity method amounting of Baht 21.38 million recorded as " Loss from selling investment "

Agrifood Processing Co., Ltd. , distributes Canned Sweet Corns and Frozen Sweet Corns

Nature of Income

Agrifood Processing Co.,Ltd.

( Unit : Thousand baht )

|                    | 2007    |       | 2006    |       | 2005    |       |
|--------------------|---------|-------|---------|-------|---------|-------|
|                    | Amount  | %     | Amount  | %     | Amount  | %     |
| Revenue from Sales | 198,898 | 99.5  | 153,881 | 99.5  | 132,733 | 99.5  |
| Others income      | 947     | 0.5   | 773     | 0.5   | 708     | 0.5   |
| Total              | 199,845 | 100.0 | 154,654 | 100.0 | 133,441 | 100.0 |

3) BUSINESS TARGET

The company has a target of expanding business but under studying .

3. TO CARRY ON BUSINESS OF EACH PRODUCTS

1) CHARACTER OF PRODUCTS OR SERVICE

Products of the company are frozen frutis and vegetables which pass a standard production process and certified by ISO 9002 , HACCP and GMP .

RIGHT AND LIMITATION IN CARRYING BUSINESS

Number of promotion certificates ;

|                     |                   |
|---------------------|-------------------|
| 1st Certificate No. | 1727/Sor Or./1988 |
| 2nd Certificate No. | 1063/Sor Or./1993 |
| 3rd Certificate No. | 1397/1994         |
| 4th Certificate No. | 1465/1999         |
| 5th Certificate No. | 1545(3)/2004      |

| List   | 1st<br>Certificate | 2nd<br>Certificate | 3rd<br>Certificate | 4th<br>Certificate | 5th<br>Certificate |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Plant Number   | 1                  | 1                  | 2                  | 2                  | 2                  |
| Promotion certificate date   | 12/12/1988         | 28/04/1993         | 7/07/1994          | 28/10/1999         | 6/07/2004          |
| Business capacity ( tons / year )  | 10,000             | 5,000              | 12,000             | 15,000             | 5,850              |
| Validity of promotion certificate ( years )  | 7                  | 6                  | 8                  | 8                  | 8                  |
| Effective dates of promotion certificate   | 1/02/1990          | 1/11/1994          | 3/03/1996          | 1/11/2001          | Don't start        |
| Expiry dates of promotion certificate  | 1/02/1997          | 1/11/2000          | 3/03/2004          | 1/11/2009          |                    |
| Granted investment promotion in the :-   |                    |                    |                    |                    |                    |
| - manufacture of vegetables & fruits   | Yes                | Yes                | Yes                | Yes                |                    |
| - Cold Storage Business  |                    |                    |                    |                    | Yes                |
| Type of business   | 1.3                | 1.8                | 1.8                | 1.8                | 1.17               |
| 1.3 Food manufacture or preservation   |                    |                    |                    |                    |                    |
| 1.8 Food manufacture   |                    |                    |                    |                    |                    |
| 1.17 Cold Storage Service  |                    |                    |                    |                    |                    |
| Exemption from company income tax  | Yes                | Yes                | Yes                | Yes                | Yes                |
| Deduction of two times of transportation<br>and electricity fee for ten years as from<br>income earning commencement | Yes                | Yes                | Yes                | Yes                | -                  |
| After the expiry of promotion certificate,<br>deduction of 50 % / Year company<br>income tax for five years          | Yes                | Yes                | Yes                | Yes                | -                  |

As an investment promoted company , the company is required to comply with the conditions and stipulations provided in the Investment Promotion Certification .

( 2 ) MARKETING AND COMPETITING CONDITION

MARKETING STRATEGY

The industrial of manufacturing frozen fruits and vegetables use the modern technology . The products are able to retain for its color , nutrition value with taste like fresh one ,no preservative added and also can keep for long ,comfortable and easy

when to eat . This is a new wave of industrial products which add a new way for the consumers who are able to buy and eat all year .

**IMPORTANT OF COMPETITIVE TACTICS**

- 1. Quality of products with standard , fresh , delicious .
- 2. Regular delivery at time of need .
- 3. Reasonable price or lower than competitor but better in quality .
- 4. To provide discount when quantity order is high .
- 5. To pay visit and take care customers closely .

**ADVANTAGES**

- 1. The company has very strong market status .
- 2. High rank of executive directors of the company are entirely experienced with knowledge of trading in agricultural products for a decade .
- 3. Main products of the company is the produces from agriculture of good quality , fresh and safety .
- 4. The growing areas are of plentiful and able to grow throughout the year and few affect from nature like wind storm , heavy rain and flood when compare with the competitor country like China and Taiwan .

**DISADVANTAGES**

- 1. The delivery distant both inland and sea when compare to the competitor in foreign country more distant make the delivery cost higher .
- 2. Uncertainty of money value .
- 3. Size of growing areas is small causes the growing development by using equipment in harvesting for reducing capital is hardly made .

**TARGET CUSTOMERS**

Main customers of the company will be the department store , hotel , Japanese Resturant which will emphasize on middle class group and business group who need the goods in form of half - cooked , clean , healthy and easy consume .

**PRICING POLICY**

It is the policy of the company to sell products at reasonable price , as compares to the price of foreign competitors , our price is near by or a bit lower but quality better.

**DISTRIBUTION AND DISTRIBUTION CHANNELS**

Almost all the company's products are exported overseas through the distribution channels of :

**DOMESTIC**

There are two channels :

- 1. Direct distribution to the factory approx. 1.1 of the total sale value .
- 2. The distribution is done through P. P. Food Supply Co., Ltd., having distributed proportion 1.4 % of the total sale and Agrifood Processing Co., Ltd., having distributed proportion 17.1 % of the total sale .

**OVERSEAS**

There are two channels :

- 1. Direct distribution to the customers which mainly are department stores and various supermarkets in foreign with distribution rate approximate 58.0 % to Japan of the total sale value and approximate 9.0 % to U.S.A. , Sweden, Taiwan and China .
- 2. Distribute through the representative such as Itochu Corporation and Ing Shiang Co.,Ltd., a shareholers of the company with sale proportion approximate 11.3 % of the total sale in which the company will pays the commission to the representative at the rate of 1.5 - 3 % of total sale ( F.O.B.).

**REPRESENTATIVES**

Since most of the company's products are exported, so the company recruits suitable representative, however, the company does not appoint representative, who compute with the company to obtain customers, as its agents. The principal conditions for each purchases order from overseas is that the customer has to open a letter of Credit in the company's name or make a payment by telegraphic transfer payable directly to the company .

Subsequently, the company has never suffered any bad debt incurred from selling its products .

NATURE OF CUSTOMERS

Most customers of the company are department stores and supermarkets in foreign. The company is confident that ,based on the good relationship maintained among the partners ,the company will not lose any of its customers . On the contrary ,the company has been prosperous and has had continuous good performances since the commencement of its business in 1990. Navertheless , in order to minimize the risk of losing important customers , the company has been trying to penetrate more markets . At present, the company is able to export more products to the U.S.A. , Sweden , Taiwan and China .

( 3 ) ARRANGEMENT AND SERVICES

Products of the company are the produce bought from the farmers in project , covering areas of 14 provinces in North -Chiang Mai , Chiang Rai , Phrae , Nan , Phayao , Lamphun , Mae Hong Son , Lampang , Phichit , Phetchabun , Kamphaeng Phet , Phitsanulok , Sukhothai and Tak in which the company will arrange for seeds ,fertiliser and insecticide to the farmers for substitution and the company shall buy their produces under guarantee price . During growing period ,there will be the specialist which is our agricultural promotion officer to provide knowledge and advice to the farmers for nursing , fertilising and taking care for using chemical in order to obtain quality of produces ,safe for consumer and highest yield per rai . When the produces could harvest ,the company will buy at guarantee price and deduct the cost of seeds , fertiliser and insecticide from the produces price .

PRPDUCTION CAPACITY AND PRODUCTION VOLUME

| Description                                   | Unit        | 2007   | 2006   | 2005   |
|---|-------------|--------|--------|--------|
| Full production capacity                      | Metric Tons | 27,000 | 27,000 | 27,000 |
| Actual production volume                      | Metric Tons | 24,157 | 21,683 | 22,125 |
| Actual rate of usage capacity                 | %           | 89.47  | 80.31  | 81.94  |
| Increase (decrease) rate of production volume | %           | 11.41  | (2.00) | 4.82   |
| Increase (decrease) rate of production value  | %           | (5.53) | (3.79) | (1.64) |

Remark : There are three production shifts. Actual production , which depends on the amounts of raw materials supplied to the factory , ranges from one to three shifts .

Buying rate of Raw Material :

- Domestic : 200 distributer sold raw material at 95.7 %
- Foreign : The company imports raw material at 4.3 %

AFFECTS ON ENVIRONMENT

Wasted water that passed the process of the company may affect on environment . So the company takes to pass the system of reforming wasted water in order to meet the requirement of department of industrial works before to let to the system of drain water . For the remain of raw material from the process ,the company will sell in form of advantage to use as animal feed . This will leave no wasted things to effect the environment .

( 4 ) UNDELIVERY GOODS

Since the company produces the goods for selling all year and delivery according to order regularly , so no undelivery goods remain .

4. RESEARCH AND DEVELOPMENT

The company has made research and development in the field of ready to eat food and trial a new variety seeds .

|  | 2007      | 2006      | 2005      |
|--|-----------|-----------|-----------|
| Expenses for research and development (Baht) | 6,795,576 | 4,724,176 | 3,440,216 |

5. ASSETS FOR BUSINESS OPERATION

| Type of assets | Type of possession | Value (Million bahts) | Burden |
|----------------|--------------------|-----------------------|--------|
|----------------|--------------------|-----------------------|--------|



|   |       |       |   |
|---|-------|-------|---|
| Land of office building , No. 149 / 32 - 34<br>Soi Anglo Plaza, Surawongse Road,<br>Bangrak, Bangkok 54.4 Square wahs           | Owner | 25.6  | No encumbered with a charge .                           |
| Land 1st Plant No. 92 Moo 3<br>Chiangmai-Phrao Road,<br>Nongjom, Sansai, Chiangmai<br>15 rais 36.6 square wahs                  | Owner | 3.1   | The Siam Commercial Bank<br>Amount 48.29 Million bahts  |
| Land 2nd Plant No. 299 Moo 14<br>Chiangmai-Phrao Road,<br>Maefagmai, Sansai, Chiangmai<br>27 rais 3 ngan 98.9 square wahs       | Owner | 34.7  | The Siam Commercial Bank<br>Amount 31.29 Million bahts  |
| Land 2nd Plant No. 299 Moo 14<br>Chiangmai-Phrao Road,<br>Maefagmai, Sansai, Chiangmai<br>15 rais 1 ngan 53.6 square wahs       | Owner | 7.2   | No encumbered with a charge .                           |
| Land 2nd Plant No. 299 Moo 14<br>Chiangmai-Phrao Road,<br>Maefagmai, Sansai, Chiangmai<br>12 rais 2 ngan 84.2 square wahs       | Owner | 6.9   | No encumbered with a charge .                           |
| Land-New cold storage No. 299/1 Moo 14<br>Chiangmai-Phrao Road,<br>Maefagmai, Sansai, Chiangmai<br>8 rais 3 ngan 97 square wahs | Owner | 5.4   | No encumbered with a charge .                           |
| Land at Amphur Bangragum,Phitsanuloke Province<br>154 rais - ngan 30 square wahs  | Owner | 13.4  | No encumbered with a charge .                           |
| Office Building , 4 Floors, 3 Units<br>149 / 32 - 34 Soi Anglo Plaza,<br>Surawongse Rd., Bangrak, Bangkok                       | Owner | 6.5   | No encumbered with a charge .                           |
| 1st Plant Building No. 92 Moo 3<br>Chiangmai-Phrao Road,<br>Nongjom, Sansai, Chiangmai  | Owner | 32.1  | The Siam Commercial Bank<br>Amount 35.41 Million bahts  |
| 2nd Plant Building No. 299 Moo 14<br>Chiangmai-Phrao Road,<br>Maefagmai, Sansai, Chiangmai                                      | Owner | 93.6  | The Siam Commercial Bank<br>Amount 59.11 Million bahts  |
| New cold storate Building No. 299/1 Moo 14<br>Chiangmai-Phrao Road,<br>Maefagmai, Sansai, Chiangmai                             | Owner | 90.7  | No encumbered with a charge .                           |
| Machine for manufacture<br>frozen vegetables & fruits   | Owner | 164.3 | The Siam Commercial Bank<br>Amount 105.36 Million bahts |

## 6. FUTURE PROJECT

The company has its own future project but under studying .

## 7. LEGAL DISPUTES

- none -

## 8. CAPITAL STRUCTURE

### ( 1 ) SECURITY OF COMPANY

The company's registered capital is 346,497,096 bahts ,paid up of 346,496,592 bahts,  
divided into 346,496,592 common shares and each with par value of 1 baht .

### ( 2 ) SHAREHOLDERS as at December 31 , 2007.

| The First ten major shareholders          | Amount of Shares | Percentages |
|---|------------------|-------------|
| 1. Nothern Agricultural Co., Ltd.         | 60,687,000       | 17.51       |
| 2. Itochu Corporation                     | 45,855,150       | 13.23       |
| 3. Itochu ( Thailand) Ltd..               | 23,444,850       | 6.77        |
| 4. Mr. Suppachai Saharattanachaiwong      | 16,566,000       | 4.78        |
| 5. Mr. Lan Mu Chiou + spouse              | 15,214,129       | 4.39        |
| 6. Mr. Prapas Pholpipattanaphong + spouse | 12,792,400       | 3.69        |
| 7. Miss Chang Min Fang                    | 6,195,860        | 1.79        |
| 8. Mr. Lu Tsung Jen                       | 5,550,281        | 1.60        |
| 9. Mr. Liu Chi Rong                       | 5,197,500        | 1.50        |
| 10. Mr. Tongchai Seaseu                   | 4,381,740        | 1.26        |
| Total                                     | 195,884,910      | 56.52       |
| Other Shareholders                        | 150,611,682      | 43.48       |
| Total                                     | 346,496,592      | 100.00      |
| Thai National Shareholders                | 214,065,181      | 61.78       |
| Foreign National Shareholders             | 132,431,411      | 38.22       |

### ( 3 ) DIVIDEND PAYMENT POLICY

Normally , the company has a policy to pay dividend 60 % of net profit except in case there is a plan to expand investment , then will consider to pay dividend as financial appropriate .

| Year | Rate<br>( Bahts / share ) | Amount of<br>shares<br>( in million ) | Date of closing<br>register book for<br>the right of div. | Dividend payment<br>dates |
|------|---------------------------|---------------------------------------|---|---------------------------|
| 2002 | 0.30                      | 210,000,000                           | May 14, 2003  | May 30, 2003              |
| 2003 | 0.30                      | 210,000,000                           | May 14, 2004  | May 28, 2004              |
| 2004 | 0.75                      | 210,000,000                           | April 07, 2005  | May 27, 2005              |
| 2005 | 0.25                      | 314,997,360                           | May 08, 2006  | May 25, 2006              |
| 2006 | 0.35                      | 314,997,360                           | May 02, 2007  | May 23, 2007              |
| 2007 | 0.30                      | 346,496,592                           | May 13, 2008  | May 30, 2008              |

Remark : Year 2002 - 2004 changed the old data from base of par value 10 bahts/share to 1 baht/share for comparison with the present data.

| Items                | Unit       | 2007    | 2006    | 2005    | 2004    | 2003    | 2002    |
|----------------------|------------|---------|---------|---------|---------|---------|---------|
| Net profit           | ,000 baht  | 99,920  | 105,737 | 88,386  | 91,408  | 99,386  | 91,068  |
| Amount of<br>shares  | ,000 share | 346,497 | 314,997 | 314,997 | 210,000 | 210,000 | 210,000 |
| Par value            | baht/share | 1.00    | 1.00    | 1.00    | 1.00    | 1.00    | 1.00    |
| Profit per<br>shares | baht/share | 0.30    | 0.34    | 0.32    | 0.44    | 0.47    | 0.43    |
| Book value           | baht/share | 3.46    | 3.61    | 4.18    | 5.44    | 5.31    | 5.13    |
| Annu. Div.           | ,000 baht  | 103,949 | 78,749  | 78,749  | 52,500  | 63,000  | 63,000  |
| Stock Div.           | ,000 baht  | -       | 31,500  | -       | 105,000 | -       | -       |
| Annu. Div.           | baht/share | 0.30    | 0.25    | 0.25    | 0.25    | 0.30    | 0.30    |
| Stock Div.           | baht/share | -       | 0.10    | -       | 0.50    | -       | -       |
| Payout<br>ratio      | %          | 104.03  | 104.27  | 89.10   | 172.30  | 63.39   | 69.18   |

Remark : 1. Year 2002 - 2004 changed the old data from base of par value 10 bahts/share to 1 baht/share for comparison with the present data.

2. Weighted average number of common shares for the year 2005 = 277,025,712 shares ,  
year 2006 = 314,997,360 shares and year 2007 = 346,496,592 shares.

### Rights and equality of shareholders

Board of Company Director have realised fully an important of shareholders by intending the shareholders to be treated equally on the process of good corporate governance. The company then opens a chance to enable the shareholders participate by present the subject that think its important to put in the agenda of Ordinary Shareholder Meeting and present person name of knowledgeable, ability and appropriate qualified for receiving consideration of electing as company director and able to send the question concerning agenda of meeting to the Board of Director in advanced before meeting day and the company is still aware of the right of shareholders in receiving the company data with correct , sufficient, intime, and equal to make decision in shareholder meeting. Therefore, in every shareholder meeting, the company has sent a letter of convening meeting with data for meeting that contains full details, sufficient inclusive Board of Director comments in every agenda toward securities registrar of the company in order to reach in hand of the shareholders before meeting 14 days as fixed by law and the shareholders are still able to study the data for meeting in advanced through Website of the company at least 30 days before shareholder meeting day to open a chance to the shareholders having time to study such data in details. Besides, the company has still given facilities to the shareholders in participating the shareholders meeting by fixing day, time and venue to reach convenient and having appropriate size for receiving meeting attendant sufficiently and in case the shareholders are unable to attend the meeting by themself then able to delegate other persons or Independent Director of either of their company to present and cast a vote by proxy.

**SHAREHOLDERS' MEETINGS**

Board of Director manage to have shareholder meeting as annual ordinary meeting within 4 months from the date ended of accounting year of the company and have a policy to give facilities to every shareholder equally, open a chance for shareholders to inquire suspection, propose an opinion and use the right to vote clearly and justice and manage minutes of a meeting completely and spread out minutes of a meeting toward Stock Exchange of Thailand and report through Website of the company within 14 days from date of shareholder meeting.

Basis and method of casting a vote in electing director are as follows:

- 1. One shareholder has a vote equal to one share / one vote.
- 2. Each shareholder must use all existing vote as 1 to elect one person or many persons as director but can not share the vote to anyone more or less.
- 3. A person which receives maximum vote respectively shall be elected as director equal to number of available director as it must be and must elect in that time. In case a person which is elected respective person has equal vote exceed number of director that must have or must elect in that time, let the chairman vote for arbitrating.

**9. MANAGEMENT**

**1) STRUCTURE OF MANAGEMENT**

**DIRECTORS**

| Names                             | Position          | Type of director       |
|-----------------------------------|-------------------|------------------------|
| 1. Mr. Prayoon Pholpipattanaphong | Chairman          | Executive Director     |
| 2. Mr. Prapas Pholpipattanaphong  | Managing Director | Executive Director     |
| 3. Mr. Suwat Phongphasura         | Director          | Executive Director     |
| 4. Mr. Ankoon Pholpipattanaphong  | Director          | Executive Director     |
| 5. Mr. Lan, Mu - Chiou            | Director          | Non-executive Director |
| 6. Mr. Lu, Tsung - Jen            | Director          | Non-executive Director |
| 7. Mr. Shigeto Tamaoki            | Director          | Non-executive Director |
| 8. Mr. Santichai Suakanonth       | Director          | Independent Director   |
| 9. Mr. Amnuay Yossuck             | Director          | Independent Director   |
| 10. Dr. Olarn Chaipravat          | Director          | Independent Director   |
| 11. Mr. Ampon Ruayfupant          | Director          | Independent Director   |

By Mr. Sakda Phimmuang as Secretary to the Board of Director .

| AUDIT COMMITTEES            | Position | Type of director     |
|-----------------------------|----------|----------------------|
| 1. Mr. Santichai Suakanonth | Chairman | Independent Director |
| 2. Mr. Amnuay Yossuck       | Director | Independent Director |
| 3. Mr. Ampon Ruayfupant     | Director | Independent Director |

By Miss Pancharatana Chantra as Secetary to the Board of the Audit Committee

| EXECUTIVE DIRECTORS               | Position          | Type of director               |
|-----------------------------------|-------------------|--------------------------------|
| 1. Mr. Prayoon Pholpipattanaphong | Chairman          | Executive Director             |
| 2. Mr. Prapas Pholpipattanaphong  | Managing Director | Executive Director             |
| 3. Mr. Suwat Phongphasura         | Director          | Executive Director             |
| 4. Mr. Ankoon Pholpipattanaphong  | Director          | Executive Director             |
| 5. Mr. Prayuth Pholpipatanaphong  | Director          | Business & Development Manager |
| 6. Mr. Kang, Chan - Lung          | Director          | Senior Plant Manager           |

By Mr. Ankoon Pholpipattanaphong as Secetary to the Board of Executive Director

| NOMINATION COMMITTEES            | Position | Type of director     |
|----------------------------------|----------|----------------------|
| 1. Mr. Amnuay Yossuck            | Chairman | Independent Director |
| 2. Mr. Santichai Suakanonth      | Director | Independent Director |
| 3. Mr. Prapas Pholpipattanaphong | Director | Executive Director   |
| 4. Mr. Wanchandr Sivaboonyawongs | Director | Legal Advisor        |

By Mr. Wanchandr Sivaboonyawongs as Secretary to the Board of Selecting sub-committee

| RISK MANAGEMENT COMMITTEE        | Position | Type of director               |
|----------------------------------|----------|--------------------------------|
| 1. Mr. Prapas Pholpipattanaphong | Chairman | Executive Director             |
| 2. Mr. Ankoon Pholpipattanaphong | Director | Executive Director             |
| 3. Mr. Prayuth Pholpipatanaphong | Director | Business & Development Manager |
| 4. Mr. Wanchandr Sivaboonyawongs | Director | Legal Advisor                  |
| 5. Mr. Sakda Phimmuang           | Director | Accounting Manager             |

By Mr. Sakda Phimmuang as Secretary to the Board of Director of Risk Execution

| EXECUTIVES                       | Position  | Eduction                             |
|----------------------------------|---|--------------------------------------|
| 1. Mr. Kang, Chan - Lung         | Senior Plant Manager                              | Bechelor of Food Science             |
| 2. Mr. Prayuth Pholpipatanaphong | Business & Development Manager                    | Bechelor of Science                  |
| 3. Mr. Sakda Phimmuang           | Accounting Manager                                | Bechelor of Accounting, MBA          |
| 4. Miss Piyalak Chuapoodee       | Plant Manager                                     | Bechelor of Foods Science            |
| 5. Mr. Rangsit Ojaroen           | Office Manager                                    | Bechelor of Art in Economic          |
| 6. Miss Warissara Kangkanka      | Office Manager                                    | Diploma                              |
| 7. Miss Chanita Tiparadee        | Vice Accounting Manager                           | Bechelor of Accounting               |
| 8. Miss Thanarat Thepyothin      | Vice Office Manager                               | M.S.- Art in Industrial Psychology   |
| 9. Mr. Piroj Charoensanti        | Assis. Plant Manager                              | Mechanical Engineer                  |
| 10. Mr. Sairung Boontom          | Assis. Office Manager                             | Agricultural Education Horticulture  |
| 11. Mr. Apidate Koonprayong      | Assis. Plant Manager                              | Bechelor of Food Science             |
| 12. Mr. Boonmee Saman            | Assis. Plant Manager                              | Bechelor of Plant Science (Agronomy) |
| 13. Mr. Thanom Chaiwong          | Assis. Quality Assurance &<br>Development Manager | Master of Food Science               |
| 14. Mr. Chanwit Suwannarat       | Assis. Quality Assurance &<br>Development Manager | Bechelor of Food Science             |

**DIRECTORS - Subsidiaries Company**

C & W Interfoods Company Limited

1. Mr. Nirun Pholpipattanaphong
2. Mrs. Poonjaree Pholpipattanaphong

Agrifood Processing Company Limited

1. Mr. Prayoon Pholpipattanaphong
2. Mr. Prapas Pholpipattanaphong
3. Mr. Prayuth Pholpipatanaphong
4. Mr. Ankoon Pholpipattanaphong
5. Mr. Suwat Phongphasura

**BIOGRAPHY OF THE DIRECTORS**

**1. Mr. Prayoon Pholpipattanaohong**

|  |  |
|--|--|
| Type of director                                 | - Executive Director                                     |
| Age  | - 74 years   |
| Education  | - Accounting Profession                                  |
|  | - Honorary Doctorate Degree in Agriculture               |
| Director training program                        | - DAP-15   |
| Experience                                       | - Chairman of Chiangmai Frozen Foods PCL.(1988-present)  |
| Positions in other listed companies              | - None   |
| Positions in non-listed companies                | - Director of Agrifood Processing Co.,Ltd.(2003-present) |
| Positions in rival companies / related companies | - None   |
| Meeting attendance in 2007                       | - Board of Director Meeting 5 / 5 times                  |
|  | - Executive Director Meeting 2 / 2 times                 |
| No. of years on the board                        | - 20 years   |
| CM Shareholding on Dec. 31'2007                  | - 278,652 shares or 0.08 %                               |

**2. Mr. Prapas Pholpipattanaohong**

|  |   |
|--|---|
| Type of director                                 | - Executive Director  |
| Age  | - 59 years  |
| Education  | - High school certificate   |
| Director training program                        | - DAP-8   |
| Experience                                       | - Managing Director of Chiangmai Frozen<br>Foods PCL.(1988-present) |
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - Director of Agrifood Processing Co.,Ltd.(2003-present)            |
| Positions in rival companies / related companies | - None  |
| Meeting attendance in 2007                       | - Board of Director Meeting 5 / 5 times                             |
|  | - Executive Directors Meeting 2 / 2 times                           |
|  | - Nomination Committees Meeing 1 / 1 time                           |
|  | - Risk Management Committees Meeting 1 / 1 time                     |
| No. of years on the board                        | - 20 years  |
| CM Shareholding + spouse on Dec.31'2007          | - 12,792,400 shares or 3.69 %                                       |

**3. Mr. Suwat Phongphasura**

|  |   |
|--|---|
| Type of director                                 | - Executive Director  |
| Age  | - 66 years  |
| Education  | - High school certificate   |
| Director training program                        | - DAP-12  |
| Experience                                       | - Executive Director of Chiangmai Frozen Foods PCL.(1988-present) |
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - Director of Agrifood Processing Co.,Ltd.(2004-present)          |
| Positions in rival companies / related companies | - None  |
| Meeting attendance in 2007                       | - Board of Director Meeting 5 / 5 times                           |
|  | - Executive Directors Meeting 2 / 2 times                         |
| No. of years on the board                        | - 20 years  |
| CM Shareholding on Dec.31'2007                   | - 2,227,500 shares or 0.64 %                                      |

**4. Mr. Ankoon Pholpipattanaphong**

|                           |  |
|---------------------------|--|
| Type of director          | - Executive Director   |
| Age                       | - 38 years   |
| Education                 | - High school certificate  |
| Director training program | - DAP-12   |
| Experience                | - Director & Marketing Manager of Chiangmai Frozen<br>Fodds PCL.(2000-present) |
|                           | - Assis. Managing Director of Chiangmai Frozen<br>Foods PCL.(2007-present)     |

|  |   |
|--|---|
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - Director of Agrifood Processing Co.,Ltd.(2003-present)<br>- Director of C&W Interfoods Co.,Ltd.(2001-2006)  |
| Positions in rival companies / related companies | - None  |
| Meeting attendance in 2007                       | - Board of Director Meeting  5 / 5 times<br>- Executive Directors Meeting  2 / 2 times<br>- Risk Management Committees Meeting  1 / 1 time                                  |
| No. of years on the board                        | - 8  years  |
| CM Shareholding+spouse+minor child on 31/12/07   | - 3,861,000  shares  or  1.11 %   |
| <b>5. Mr. Lan  Mu  Chiou</b>                     |   |
| Type of director                                 | - Non - executive Director  |
| Age  | - 60  years   |
| Education  | - High  school  certificate   |
| Director training program                        | - None  |
| Experience                                       | - Director of Chiangmai Frozen Foods PCL.(1988-present)   |
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - None  |
| Positions in rival companies / related companies | - None  |
| Meeting attendance in 2007                       | - Board of Director Meeting  2 / 5 times  |
| No. of years on the board                        | - 20  years   |
| CM  Shareholding + spouse on Dec.31'2007         | - 15,214,129  shares  or  4.39 %  |
| <b>6. Mr. Lu Tsung  Jen</b>                      |   |
| Type of director                                 | - Non - executive Director  |
| Age  | - 70  years   |
| Education  | - High  school  certificate   |
| Director training program                        | - None  |
| Experience                                       | - Advisor of Board of Director of Chiangmai<br>Frozen Foods PCL.(1988-2006).  |
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - None  |
| Positions in rival companies / related companies | - None  |
| Meeting attendance in 2007                       | - Board of Director Meeting  2 / 4 times  |
| No. of years on the board                        | - 1  year   |
| CM  Shareholding  on Dec.31'2007                 | - 5,550,281  shares  or  1.60 %   |
| <b>7. Mr. Shigeto  Tamaoki</b>                   |   |
| Type of director                                 | - Non - executive Director  |
| Age  | - 51  years   |
| Education  | - Bachelor of Agriculture   |
| Director training program                        | - None  |
| Experience                                       | - Executive of Itochu (Thailand) Ltd.(1981-present)   |
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - None  |
| Positions in rival companies / related companies | - Executive of Itochu (Thailand) Ltd.(1981-present)   |
| Meeting attendance in 2007                       | - Board of Director Meeting  2 / 3 times  |
| No. of years on the board                        | - 1  year   |
| CM  Shareholding  on Dec.31'2007                 | - None  |
| <b>8. Dr. Olarn  Chaipravat</b>                  |   |
| Type of director                                 | - Independent  Director   |
| Age  | - 64  years   |
| Education  | - B.S. (Magna Cum Laude), Economics<br>- Wharton School, University of Pennsylvania, U.S.A.<br>- Ph.D. Economics<br>- Massachusetts Institute of Technology (M.I.T.) U.S.A. |

|  |  |
|--|--|
| Director training program                        | - DAP-4  |
| Experience                                       | - Director of Thai Airways International PCL.(2001-2006)<br>- Chairman of Audit Committee of Shin Corp. PCL.(2001-2006)<br>- Director of The Stock Exchange of Thailand(2002-2006)<br>- Director of Thai Oil PCL.(2004-2007) |
| Positions in other listed companies              | - Director of PTT PCL.(2001-present)<br>- Director of PTT Chemical PCL.(2003-present)<br>- Chairman of Baord of Director of Thai Asset Management Corporation(2003-present)  |
| Positions in non-listed companies                | - None   |
| Positions in rival companies / related companies | - None   |
| Meeting attendance in 2007                       | - Board of Director Meeting 3 / 5 times  |
| No. of years on the board                        | - 2 years  |
| CM Shareholding on Dec.31'2007                   | - None   |

9. Mr. Santichai Suakanonth

|  |  |
|--|--|
| Type of director                                 | - Independent Director   |
| Age  | - 74 years   |
| Education  | - Bachelor of Accounting , Chulalongkorn University<br>- Certified Public Accountant Registration No. 422                      |
| Director training program                        | - DAP-15   |
| Experience                                       | - Vice Manager of Krungsriayudhya Bank, Siam Squire Branch(1975-1992)  |
| Positions in other listed companies              | - None   |
| Positions in non-listed companies                | - None   |
| Positions in rival companies / related companies | - None   |
| Meeting attendance in 2007                       | - Board of Director Meeting 4 / 5 times<br>- Audit Committees Meeting 4 / 4 times<br>- Nomination Committees Meeing 1 / 1 time |
| No. of years on the board                        | - 16 years   |
| CM Shareholding on Dec.31'2007                   | - 41,580 shares or 0.01 %  |

10. Mr. Amnuay Yossuck

|  |   |
|--|---|
| Type of director                                 | - Independent Director  |
| Age  | - 71 years  |
| Education  | - Bachelor of Economics , Thammasat University<br>- MBA Arisona, U.S.A.<br>- Honorary Doctorate Degree  |
| Director training program                        | - DAP-15  |
| Experience                                       | - Deputy Minister , Ministry of Public Health(1981-1983)<br>- Deputy Minister, Ministry of Finance.(1983-1985)<br>- Deputy Minister, Ministry of Commerce.(1985-1986)<br>- Prime Minister Adviser(1988-1990)<br>- Deputy Minister, Ministry of Foreign Affairs.(1990) |
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - Chairman of Board of Director of Piriyaopol International(1986-present)<br>- President of Mae Joe University Council.(1999-present)   |
| Positions in rival companies / related companies | - None  |
| Meeting attendance in 2007                       | - Board of Director Meeting 5 / 5 times<br>- Audit Committees Meeting 4 / 4 times<br>- Nomination Committees Meeing 1 / 1 time  |
| No. of years on the board                        | - 15 years  |
| CM Shareholding on Dec.31'2007                   | - 607,200 shares or 0.18 %  |

11. Mr. Ampon Ruayfupant

|  |   |
|--|---|
| Type of director                                 | - Independent Director  |
| Age  | - 39 years  |
| Education  | - Master of Business-Finance , Cornell University                                 |
| Director training program                        | - None  |
| Experience                                       | - Risk Management Manager of GE Capital(1994-1996)                                |
| Positions in other listed companies              | - None  |
| Positions in non-listed companies                | - Executive Director of Pilot Knit Sport Ward Co.,Ltd.(2000-present)              |
| Positions in rival companies / related companies | - None  |
| Meeting attendance in 2007                       | - Board of Director Meeting 5 / 5 times<br>- Audit Committees Meeting 4 / 4 times |
| No. of years on the board                        | - 2 years   |
| CM Shareholding on Dec.31'2007                   | - 65,340 shares or 0.02 %   |

#### **BALANCE OF POWER FOR NON-EXECUTIVE DIRECTORS**

To appoint director of the company is according to the agreement of shareholders group that cooperated in establishing the company that appoint the director of the company comes from representative of main shareholders as per share portion in which Board of Company Director consist of 11 directors as follows :

- 4 executive directors .
- 3 non-executive directors .
- 4 independent directors .

The Chairman of the company though is having blood relations with Managing Director but each of them has a view in freely operation. Also Board of Company Director structure consist of directors represented from two main shareholders group which would incur retardness and 4 independent directors can freely verify and upright. Therefore it convinces that the Chairman and Managing Director have served their duty extremely in the capacity as representative of shareholders and having appropriate retardness.

#### **AGGREGATION OR SEGREGATION OF POSITIONS**

The chairman is not the same person with managing director but both of them are represented from the same main shareholder group. However , Board of Company structure consist of representative from main shareholders 2 groups which would incur retardness and 3 independent directors can freely verify and upright .

#### **SUB COMMITTEES**

The Board of Company Director have appointed Board of Sub - Committee to help in supervising the activity of the company as follows :

##### **Board of Executive Directors**

Established on January 4 , 2000 consist of 6 executive directors and executives by setting authority as follows :

1. To set the executive policy and operation direction as to coordinate with policy and company objectives with intends to create security and maximum advantage to the company .
2. To governance the management to proceed as policy that set with efficiently and effectively .
3. To have authority to consent in buying assets investment , other expenditures and or borrow money in amount not exceed 30 million bahts per time . In case amount exceed 30 million bahts , let ask aproval from the Board of Company Director Meeting first , except in necessary urgent case , let give consent prior payment and inform Board of Director later .
4. To act others as assigned by Board of Director .

##### **Board of Audit Committees**

Established on August 28, 1998 with period of holding an office each time 3 years, consist of 3 directors which are all independent directors and one independent director is knowledgeable in accounting and financial have following names :

- |                             |          |                      |
|-----------------------------|----------|----------------------|
| 1. Mr. Santichai Suakanonth | Chairman | Independent Director |
|-----------------------------|----------|----------------------|



- |                         |          |                      |
|-------------------------|----------|----------------------|
| 2. Mr. Amnuay Yossuck   | Director | Independent Director |
| 3. Mr. Ampon Ruayfupant | Director | Independent Director |
- By Miss Pancharatana Chantra as Secretary to the Board of the Audit Committee

Audit Committee hold regular meeting . In the year 2007 , they held total 4 times meeting and reported to the Board of company director. Directors have a duty to consider and proceed as follows :

1. To verify report of company financial before propose to the Board of Director .
2. To provide advice concerning appointing and fixing remuneration of company Auditor to join together with Auditor concerning objectives , limit , guide line and inspection plan including problem find during inspection and the point that Auditor thinks it has important essence .
3. To join together with company interior Audit concerning objectives and inspection planning , the assessment effective of internal control system of the company , and adequacy of resources that use in internal inspection include report of inspection result and problem find during inspection .
4. To provide consultation and consider reviewing inspection result and proposal both independent Auditor and internal audit section include follow up the operation of management to such proposal in order to propose to the Board of Company director for acknowledgement .
5. To supervise in having acted according to the law and provision of the section that governance the company .
6. To supervise in having executed important risk of the company .

#### **Board of Nomination Committee**

Board of Nomination Committee consist of 2 Independent Directors, 1 Executive Director and 1 Legal Adviser in which Independent Director performs duty as chairman, having an authority to select appropriate qualified person to be Director as provision of Company to present toward Board of Company Director to consider giving approval and present to the shareholder meeting for electing resolution.

#### **Board of Remuneration Committee**

The company has no Board of Sub-Committee to set for remuneration but available elementary process to consider appropriate remuneration with an approval of Board of Company Director which consider from business result of the company .

#### **Board of Risk Management Committee**

As from the Board of Director Meeting No. 1 / 2004, the company manages to have Board of risk management committee having five directors, consist of two executive directors, two executives and one legal adviser to consider setting the policy and system of risk management, follow up result in risk management from the process of pointing out, analyse, manage assess, follow up and report in system inclusive to provide supporting by managing to have advisory of risk management process to various internal sections through follow up to have continuously and regularly practice to the whole company.

#### **LIMIT OF DUTY AUTHORITY OF DIRECTORS**

- Board of Director have an authority according to the regulation of the company which include supervision and management the company in accordance with law, objective, regulation and resolution at the shareholder meeting.
- To fix visibility , direction and tactics of the company.
- To give approval for important tactics and policy including objective, financial target and company plan also follow up, supervise to have practice as planned.
- To manage having account system, financial report and auditing inclusive supervise for having an internal control system and internal audit to be efficiency and effective.
- To investigate supervising and manage to amend conflicts problem on benefits that may arise inclusive related subject.
- To set management line of risk and supervise executive for having system or efficiency

- process in risk management.
- To supervise in having system or mechanism of paying suitable remuneration to the high rank of executive to create inducement power both in short - run and long - run.
  - To make working assessment of Managing Director and fix remuneration to coordinate with the operation result.
  - To supervise for having appropriately way of communicate with each group of shareholder and who has common interest of the company appropriately.
  - Allow to have disclosure of correct data, clear, reliably and high standard.
  - To be a leader and good example in practice.

**LIMIT OF DUTY AUTHORITY OF EXECUTIVE DIRECTORS**

- To set the executive policy and operation direction to coordinate with the policy and company objectiives with intends to create security and maximum advantage to the company.
- To govern the management to follow the policy that set strictly.
- Consent powerful and make legal principle on the frame fixed by the Board of Company Director.
- Any other actions as assigned by the Board of Company Director.

Mr. Prayoon Pholpipattanaphong , Chairman or Mr. Prapas Pholpipattanaphong , Managing Director or Mr. Suwat Phongphasura gives signature and stamp of the company .

**BOARD OF DIRECTORS' MEETINGS**

- 1 The Company fix advance table of the Board of Director Meeting yearly by fixing to have a regular meeting at least one time / quarter and each director learns of it.
- 2 The Chairman and Managing Director joint consideration for agenda meeting.
- 3 To manage in sending invitation letter for meeting, agenda of a meeting and document for meeting to the directors in advanced at least 7 days before meeting enable to have time for considering data sufficiently.
4. To fix in having the directors attend the meeting with quorum when having considered to resolve in important matters such as list of obtainable or distributed assets of the company and subsidiary company that affect to the company , expansion of capital project , fix work level of executive power , fix financial executing policy and risk executing above all.
- 5 In the meeting , if any director who has common interest in the considering agenda, must depart from the meeting before begin considering in that agenda.
- 6 Every director has a right to present the subject to the agenda of a meeting, examine document for meeting and other important documents. If any doubt, other directors and management must operate for answering that doubt.
- 7 Company secretary or one who has assigned to manage minutes of the Board of Director Meeting completely within time fixed by the law.

Meeting attendance of each director concludes as follows :

| Name List                         | Period of rank hold | Attending meeting / Total meeting (times) |                 |       |
|-----------------------------------|---------------------|---|-----------------|-------|
|                                   |                     | Normal meeting                            | Special meeting | Total |
| 1. Mr. Prayoon Pholpipattanaphong | 3 Years             | 4 / 4                                     | 1 / 1           | 5 / 5 |
| 2. Mr. Prapas Pholpipattanaphong  | 3 Years             | 4 / 4                                     | 1 / 1           | 5 / 5 |
| 3. Mr. Suwat Phongphasura         | 3 Years             | 4 / 4                                     | 1 / 1           | 5 / 5 |
| 4. Mr. Ankoon Pholpipattanaphong  | 3 Years             | 4 / 4                                     | 1 / 1           | 5 / 5 |
| 5. Mr. Chen , Yann - Chung        | 3 Years             | - / 1                                     |                 | - / 1 |
| 6. Mr. Lu, Tsung - Jen            | 3 Years             | 2 / 3                                     | - / 1           | 2 / 4 |
| 7. Mr. Lan , Mu - Chiou           | 3 Years             | 2 / 4                                     | - / 1           | 2 / 5 |
| 8. Mr. Masao Kono                 | 3 Years             | - / 2                                     |                 | - / 2 |
| 9. Mr. Shigeto Tamaoki            | 3 Years             | 2 / 2                                     | - / 1           | 2 / 3 |
| 10. Mr. Santichai Suakanonth      | 3 Years             | 3 / 4                                     | 1 / 1           | 4 / 5 |
| 11. Mr. Amnuay Yossuck            | 3 Years             | 4 / 4                                     | 1 / 1           | 5 / 5 |
| 12. Dr. Olarn Chaipravat          | 3 Years             | 2 / 4                                     | 1 / 1           | 3 / 5 |

|                          |         |       |       |       |
|--------------------------|---------|-------|-------|-------|
| 13. Mr. Ampon Ruayfupant | 3 Years | 4 / 4 | 1 / 1 | 5 / 5 |
|--------------------------|---------|-------|-------|-------|

Remark :-     1. Mr. Chen , Yann - Chung is out of to be director on April 23, 2007.

                  2. Mr. Lu, Tsung - Jen is a director on April 23, 2007.

                  3. Mr. Masao Kono is out of to be director on May 14, 2007.

                  4. Mr. Shigeto Tamaoki is a director on May 14, 2007.

Meeting attendance of each sub-committee concludes as follows :

| Name List                         | Board of<br>Executive<br>Directors | Board of<br>Audit<br>Committees | Board of<br>Nomination<br>Committees | Board of Risk<br>Management<br>Committees |
|-----------------------------------|------------------------------------|---------------------------------|--------------------------------------|---|
| 1. Mr. Prayoon Pholpipattanaphong | 2 / 2                              |                                 |                                      |   |
| 2. Mr. Prapas Pholpipattanaphong  | 2 / 2                              |                                 | 1 / 1                                | 1 / 1                                     |
| 3. Mr. Suwat Phongphasura         | 2 / 2                              |                                 |                                      |   |
| 4. Mr. Prayuth Pholpipatanaphong  | 2 / 2                              |                                 |                                      | 1 / 1                                     |
| 5. Mr. Ankoon Pholpipattanaphong  | 2 / 2                              |                                 |                                      | 1 / 1                                     |
| 6. Mr. Kang , Chan - Lung         | 2 / 2                              |                                 |                                      |   |
| 7. Mr. Santichai Suakanonth       |                                    | 4 / 4                           | 1 / 1                                |   |
| 8. Mr. Amnuay Yossuck             |                                    | 4 / 4                           | 1 / 1                                |   |
| 9. Mr. Ampon Ruayfupant           |                                    | 4 / 4                           |                                      |   |
| 10. Mr. Wanchandr Sivaboonyawongs |                                    |                                 | 1 / 1                                | 1 / 1                                     |
| 11. Mr. Sakda Phimmuang           |                                    |                                 |                                      | 1 / 1                                     |

### DIRECTORS' REPORTING

Board of Company Director are responsible for total financial statement of the company and subsidiary company and financial statement news that appears in annual report . Such financial statement has managed as per general certified standard account in Thailand by choosing to use an appropriate account policy and keep practiced regularly . The company has used discretion carefully and best estimate in making financial statement including disclose important data sufficiently in note to financial statements .

Board of Director have managed to maintain internal control system with effective to incur convint resonably that data in account is correct ,having usage of company assets with efficiently and able to know the weak point to prevent from dishonest or abnormal proceeding .

In this circumstances , Board of company Director have appointed Board of Audit Committee which consist of independent directors whose responsible concerning quality of financial statement subject and to review an adequacy of internal inspection system . Report of the Board of Audit Committee has already shown in annual report .

### ( 2 ) SELECTION OF DIRECTORS AND EXECUTIVES

Board of Selecting Director performs duty as chairman, having an authority to select appropriate qualified person to be Director as provision of Company to present toward Board of Company Director for considering giving approval and present to the shareholder meeting for electing resolution.

Ratio of the directors representing the shareholder of each group : Thai 4 : foreigner 3 (except independent directors) due to group of Pholpipattanaphong family , Taiwan group and Japan group held the shares total exceed 60 % , so the appointing company directors can not be done if without receive consent from such shareholder group .

In the shareholder meeting must have shareholders and proxy from shareholders (if any) to attend meeting not less than 25 persons and must hold the shares total not less than one third of 346,496,592 shares to be as quorum .

Each shareholder has to use all their vote to appoint one person or many person as director but can not share the vote to either of them more or less .

To appoint director must have receive approval from the shareholder meeting . The person whom get highest vote respectively will be appointed as director according to

the number of available directors or election that time . In case of the elected respective person who has equal vote exceed quota , final vote will be made by the chairman for arbitration.

The Company set to have the descent plan of high rank executives to maintain conviction with the investors and officers that the operation of the company would receive continuation in proper time.

( 3 ) REMUNERATION FOR DIRECTORS AND THE MANAGEMENT

The company has set clearly and transparently the remuneration for directors and executives in the appropriate basis to uphold as directors and executives with required qualification . The directors that assigned as Audit Committee will receive additional remuneration according to the volumn of work .

Remuneration amount : In the year 2006 ,the company has paid various remuneration to the Directors and Executors as following details :

Remuneration in value  
- Directors ( Unit : Bahts )

| Names                             | Position             | 2007      | 2006      |
|-----------------------------------|----------------------|-----------|-----------|
| 1. Mr. Prayoon Pholpipattanaphong | Chairman             | 400,000   | 400,000   |
| 2. Mr. Prapas Pholpipattanaphong  | Managing Director    | 400,000   | 400,000   |
| 3. Mr. Suwat Phongphasura         | Executive Director   | 400,000   | 400,000   |
| 4. Mr. Ankoon Pholpipattanaphong  | Executive Director   | 400,000   | 400,000   |
| 5. Mr. Chen, Yann - Chung         | Director             | -         | 400,000   |
| 6. Mr. Lan, Mu - Chiou            | Director             | 400,000   | 400,000   |
| 7. Mr. Masao Kono                 | Director             | -         | 400,000   |
| 8. Mr. Shegeto Tamaoki            | Director             | 400,000   | -         |
| 9. Mr. Lu, Tsung - Jen            | Director             | 400,000   | 400,000   |
| 10. Mr. Santichai Suakanonth      | Independent Director | 400,000   | 400,000   |
| 11. Mr. Amnuay Yossuck            | Independent Director | 400,000   | 400,000   |
| 12. Dr. Olarn Chaiparvat          | Independent Director | 400,000   | 400,000   |
| 13. Mr. Ampon Ruayfupant          | Independent Director | 400,000   | 400,000   |
| Total                             |                      | 4,400,000 | 4,800,000 |

- Audit Committee

| Names                       | Position | 2007    | 2006    |
|-----------------------------|----------|---------|---------|
| 1. Mr. Santichai Suakanonth | Chairman | 480,000 | 480,000 |
| 2. Mr. Amnuay Yossuck       | Director | 240,000 | 240,000 |
| 3. Mr. Ampon Ruayfupant     | Director | 240,000 | 160,000 |
| 4. Mr. Chen Yann Chung      | Director | -       | 65,054  |
| Total                       |          | 960,000 | 945,054 |

Remark : 1. Mr. Ampon Ruayfupant has been appointed on April 26, 2006.  
2. Mr. Chen Yann Chung is an Audit Committee during January 19 - April 26, 2006.

- Executive Directors and Executors

| Particular | Year 2007     |                         | Year 2006     |                         |
|------------|---------------|-------------------------|---------------|-------------------------|
|            | No. of person | Total amount<br>(Bahts) | No. of person | Total amount<br>(Bahts) |
| Salary     | 7             | 21,504,320              | 7             | 21,134,280              |
| Bonus      | 7             | 7,358,175               | 7             | 6,782,110               |
| Total      | 7             | 28,862,495              | 7             | 27,916,390              |

Other remunerations not in value

- Directors : none  
- Executive Directors and Executors : Provident fund 3 % of Payroll, Office car.

Audit Fees

- The Company and Subsidiaries paid audit fees for 2007 amount 630,000.00 Bahts.  
- Other service : none

#### **( 4 ) POLICY ON CORPORATE GOVERNANCE**

Board of company has realized the important of good corporate governance for clearness , to add limit of ability in work racing and add confident to the shareholders , investors and every concerned , then has set the operation policy for corporating governance by covering the following keystones :

1. The company will serve the shareholders and people who have common interest in equal manner with justice for everyone .
2. Board of Company Director are intended to build up lasting growth of the company in long-run , to execute the company activity with careful and caution under regulation frame of law and business morality , All this Board of Director will perform duty with full capability in order to produce maximum advantage toward the shareholders , and other peoples who have common interest , also take care of not having conflict on interest arises and responsible toward decision and self - performance .
3. The company will operate with clearness , able to check and disclose sufficiently data to every party concern .
4. The company will conduct the business with always thinking of risk and will execute risk appropriately .
5. The company has set an important policy that will be the operation direction of the company in advance every year . Board of company director will pay an important toward internal control and inspection system ,by supervising executive section to proceed as efficiency policy .
6. The company has managed business morality , ethics of personnel of the company to let directors , executives and every officers practice .

#### **LEADERSHIP AND VISION**

Board of Director have participated in setting visibility , mission , tactics , objective and business plan of the company , also supervise the management to operate as per set business plan efficiently and effectively as to add maximum value in economic to the business and maximum security to the shareholders .

#### **Conflict on interest**

Board of Director have executed carefully and cautiously to prevent conflict on interest when incur any matter that may cause conflict on interest. Board of Audit Committee will learn about the subject that get conflict on interest and related subject and have considered the suitability throughly every time by setting to have practice according to the basis of Stock Exchange in which prices and conditions as if doing subject with outsiders and disclose details, subject value, partnership, reason / necessity in the annual report and type 56-1 also have disclosed in notes to financial statements heading, general information and account with related person.

#### **VARIOUS GROUPS OF STAKEHOLDERS**

Board of Director are acknowledged and awared of the right of concerned people who have common interest and have a policy to support in incurring a cooperation between the company with people who have common interest in creating advantage among themselves and take care firmly that people who have common interest have received well protected and served by paying important toward the right of every group who have common interest such as officers, customers , co-traders, competitors, shareholders and whole society with set a practical line for directors , executives and officers clearly in business morality inclusive provide a way that people who have common interest will claim to the company in case not receive justice from the performance of the company whether by directors, executives or officers of the company.

#### **Risk Management**

Board of Director are awared of the important risk management and see that such process is one of the most important component of good corporate governance. So it manages to have risk management process which is standard system and more efficiently by assigning the Board of Risk Management Committee to fix the policy, objectives, tactics in risk

management and risk level that the company acceptable inclusive notify these matters to everyone in association to acknowledge for awaring an important and is to make culture in risk management to incur in every rank of the company enabling to bring for continuously practice to overtake changed situation for being as practice on background of risk management inclusive take care of having fix follow up method of risk management result appropriately owing it is an important final step that effect toward success of risk management and fix for reporting to the Board of Director.

#### **BUSINESS MORALITY**

Board of Director have permitted discipline of business morality to promote the directors, executives and every rank of officers to hold in practice regularly as usual which the directors, executives and every officers have signed for document concerning such discipline and confirm in practice which regards as practical standard frame of the company, also all Board of Director have assigned one who responsible to follow up result of practice continuously and always revise such discipline appropriately.

Board of Company Director have an intently to build up the process of good corporate governance that standardizes and allow scatter the practice to every rank of the officers of the whole company to create real culture of good corporate governance , so wish the directors, executives and every officer to hold in practice according to the policy of good corporate governance 1st revise edition which has received permission to modify from the Board of Company Director Meeting No. 1/2008 Dated February 28, 2008 ( policy of good corporate governance obtained first permission from the Board of Company Director Meeing No. 1/2004 dated March 25, 2004) .

#### **Company secretary**

The Company set to have company secretary to perform duty of supervising activity of the Board of Director inclusive to coordinate in the following various matters :

- To give primary advice to the directors concerning provision, rule, discipline and various regulations of the company and follow up to act as properly and regularly inclusive alteration report of important point to the directors.
- To manage shareholder meeting and Board of Director Meeting in accordance with law , regulation of the company and various practices.
- To record the proceedings of Shareholder Meeting and Board of Company Director inclusive follow up to act as resolution at the shareholder meeting and resolution at the Board of Company Director.
- To supervise in having disclose data and report news in responsible part in accordance with discipline and provision of Stock Exchange of Thailand and Securities and Exchange Commission.
- To contact and communicate with general shareholders to learn about various right and information of the company.
- To supervise activity of the Board of Company Director.

#### **SOCIETY AND ENVIRONMENTS**

The company is fully aware of the responsibility toward society and environment, by holding the principle of "use human to create work and use work to create human ". In the year 2007, the company executes various projects for society and environments as follows :

1. Manage fighting projects to upgrade better quality of life and create conscious mind with the officers such as :
  - Project of safety working week.
  - Project of growing plants in public for honouring to Royalty.
  - Project of blood donation.
  - Project of maintain energy week.
  - Project of reduce dropping , reduce using , reduce air polution, above all.
2. Bring the measurement of maintain energy to use in processing method by choosing the producing technology that goes well together with an environments

for emphasizing usage of resources worthwhile and incur maximum advantage resulted in early year of 2008, Department of Quality Environment Promotion, Ministry of Natural Resources and Environments declares to certify that " the company has the processing method that goes well together with an environments in great level ".

#### RELATIONS WITH INVESTORS

Board of company director realize that company data both concern and not concern with financial are entirely effected to the decision of investor and who have common interest of the company . Board of company then have a policy to let the executives section disclosing complete data to correspond with truth ,realiable , regular and intime which the executives section of the company has paid an important and kept throughout practicing . With regard to work in investment relation ,the company has not set up this section owing such activity is not much but has assigned **Company Secretary** to contact and communicate with institution investors , shareholders , inclusive analyser and State concerned which the investors can see the company data at Website : [www.cmfrozen.com](http://www.cmfrozen.com) or contact at phone : **0-2238-4091** or at E-mail address : [info@cmfrozen.com](mailto:info@cmfrozen.com) .

#### **( 5 ) USAGE CONTROL OF INNER INFORMATION**

The company has a standard measure in usage control of internal data which will not disclose internal data to the public before report informantion to the Stock Exchange of Thailand in which the executives must report condition of buying-selling shares and holding securities of the company every time whenever change and the executives are prohibited to buy and sell securities of the company one month before report information to the Stock Exchange of Thailand and 2 weeks after report information and the company has brought a good practice guide line of Securities and Exchange Commission and Stock Exchange of Thailand to act strictly.

#### **( 6 ) PERSONNEL**

|  | <b>Male</b> | <b>Female</b> | <b>Total</b> |
|--|-------------|---------------|--------------|
| Management / Administration Department         | 91          | 67            | 158          |
| Manufacture / Technical Engineering Department | 346         | 1067          | 1413         |
| Daily Employees                                | 104         | 153           | 257          |
| <b>Total</b>                                   | <b>541</b>  | <b>1,287</b>  | <b>1,828</b> |

- No change shall be made on number of employee or an dispute in labour during the passed three years .
- The remuneration of the employees amount 177,840,772.- million bahts comprises salary , wages , bonus, overtime , hospital charge, cost of insurance group, provident fund.
- The development on employees has made every year by inviting outsidescholar to train to provide knowledge in practical , safety on working and to cooperate in developing association . Besides , the company has sent them to receive training in various training institute regularly .

#### **10. CONTROLLING SYSTEM AND INTERNAL AUDIT**

The company pays an important on internal control system with efficiently both in executing level and practical level , then has set duty , operation power of proceeding and executives in writing , having control usage of company assets to incur advantage and available development of good internal control system in regard to financial and accounting include effective report system .

The company has an internal inspection section which are obtained approval from Board of Audit Committee to perform inspection duty to ensure that the main practical and important financial activity of the company have proceeded as estimated way with efficiently inclusive inspection of performance as law and provision of the company as per work chains . Internal inspection section must report to the Managing Director but for the report as duty , internal inspection section must report to the Board of Audit Committee of

the company and Board of Audit Committee will do assessment result of internal inspection section .

## 11. INTERRELATED TRANSACTIONS

### CONFLICT OF INTERESTS

To prevent conflict on benefits , Board of Director have executed carefully and cautiously to prevent conflict on benefit when any matter that may cause conflict on benefits . Audit Committee will learn about the subject that get conflict on benefits and related subject and have considered the suitability cautiously every time inclusive to serve according to the basis of Stock Exchange of Thailand in which prices and conditions as if doing subject with outsider and have disclosed details, subject value , partnership , reason / necessity in the annual report and type 56-1 also have disclosed in notes to financial statement heading : general information and account with related person .

#### **P. P. FOODS SUPPLY CO., LTD.**

P.P. Foods Supply Co.,Ltd., which is having an executive who has relationship with the main shareholder of the company acts as representative to distribute in domestic, having its distribution value in 2007 amount 14.9 million bahts or 7.2 % of distribution value in domestic amount 207.1 million bahts.

#### **ITOCHU CORPORATION**

Itochu Corporation does a buying and selling business in Japan . Itochu is a major shareholder of the company and it holds 13.23 % of the company's shares . It is represented by Mr. Shigeto Tamaoki as a Director of the company . Itochu 's sales value in 2007 was 117.0 million bahts or 14.2 % of export value amount 825.9 million bahts .

#### **ING SHIANG CO., LTD.**

Ing Shiang Co.,Ltd. is a company that conducts business transaction of buying - selling within Taiwan . The manager of this company is Mr. Lu, Tsung - Jen which is a shareholder of Chiangmai Frozen Foods Public Co.,Ltd., and also being a consultant to the Board of Company . In 2007 had a sale value through Ing Shiang Co.,Ltd., amount 1.9 million bahts or 0.2 % of export value amount 825.9 million bahts.

#### **AGRIFOOD PROCESSING CO.,LTD.**

Agrifood Processing Co., Ltd. (AFP) is a joint - venture company between Chiangmai Frozen Foods Public Company Limited with investment portion 51 % with River Kwai International Food Industry Co.,Ltd. (RKI) with investment portion 49 % to conduct business of buying - selling . Presently Agrifood Processing Co.,Ltd. has bought Canned and Frozen Sweet Corns products from Chiangmai Frozen Foods Public Co.,Ltd. Later , on July 1, 2004 the company had bought common share investment from RKI that being held in AFP by 49 % total amount 8.1 million bahts resulted the company had shareholding portion in AFP increased from 51 % to 100 %.

In 2007 , having total buying value 180.4 million bahts or 87.1 % of total domestic distributing value amount 207.1 million bahts and Agrifood Processing Co.,Ltd. has rented an office building from Chiangmai Frozen Foods Public Co.,Ltd., 4th Floor No. 149 / 32 - 33 Soi Anglo Plaza, Surawongse Road, Khaeng Suriyawongse ,Khet Bangrak, Bangkok with number of area 102 squarmetres,monthly rental 25,500.- bahts by making year by year contract .

The company's pricing policy is to sell its products to the related companies at the same prices offered to outsiders .

The necessity of listing among themselves , owing the company established from business cooperation between investor Thai , Taiwan and Japan to manufacture and export frozen fruits and vegetables to Japan which the investor Japan is running the business of



buying and selling with branches all the world , the most important is to have a lot of market base in Japan . Therefore this is a good apporportunity for the company to use as our export base . Meanwhile ,the company has tried to look for further new customers . For domestic sale , the company has sold through P.P. Foods Supply Co.,Ltd. Which the executive has a good relationship with main shareholder of the company . With reason that Thailand is the land with plenty of fresh fruits and vegetables in season , able to buy throughout the year with cheap price which cause popularity of frozen fruits /vegetables declined but the important is that price is expensive , also very fews customers in Thailand , so the company is necessary to distribute through such company to have more way of distributing and to release the product that can not export . However ,the company is in position to accept every new customer which intends to sell our product by having fixed the sale price as per market .

For the step of making list among themself will be in accordance with the mechanic in business in all respects both in fixing the price ,discount ,credit by the authorised officer under approval of the executor only . For the shareholders who have common interest , shall take nopart in such approval . However , to fix the price , provide discount and credit shall be in accordance with the market mechanic which the company keeps acting with the customers as same .

This making list among themself shall have to continue further with thinking of the company advantage at the most .

**( 2 ) Explanation and analysis financial situation and operation result :**

**a ) Practical result in business proceeding**

In the year 2007 ,the company had sale volume amount 21,850 metric tons ,increased from last year amount 670 metric tons or 3.2 % and lower than sale plan that put down at 550 metric tons or 2.5 %.

**b) Operation result**

The company obtained net profit in 2007 amount 99.9 million bahts decreased from 2006 amount 5.8 million bahts or 5.5 % with following details :

| REVENUE   |                     |
|---|---------------------|
| -Income from selling (decreased) arised from :                    | Million Bahts       |
| Sale income (decreased) from (decreased) of average exchange rate | (77.8)              |
| Sale income increased from increased of average sales price       | 52.2                |
| Sale income increased from increased of Sale volume               | 10.8                |
| -Gain on Exchange Rate (Decreased)                                | (12.4)              |
| -Other income increased   | 9.8                 |
| Total revenue (decreased)   | <u>(17.4)</u>       |
| EXPENSES  |                     |
| -Cost of sales increased  | 32.8                |
| -Expenses in selling and administrating (decreased)               | (9.0)               |
| -Loss on diminution of Investment in Subsidiary (decreased)       | (16.8)              |
| -Loss on disposal of Investment (decreased)                       | (21.4)              |
| Total expenses (decreased)  | <u>(14.4)</u>       |
| Net profit (decreased) - Separate                                 | (3.0)               |
| Loss from Subsidiary ( Agrifood ) Increased                       | (2.8)               |
| Net profit (decreased) - Consolidated                             | <u><u>(5.8)</u></u> |

**c) Financial situation**

At December 31, 2007 ,the company had the assets amount 1,226 million bahts , increased from last year 30 million bahts by having (decreased) of cash , deposit and short term investment amount (9) million bahts , account receivable - trade increased amount 10 million bahts ,inventories increased amount 64 million bahts , net fixed assets (decreased) amount (38) million bahts and other assets increased amount 3 million bahts.

The ratio of liquidity of the company is at level 8.8 and ratio of quick liquidity is at level 3.3 which is very good whereas the company has ratio of debt against shareholders at level 0.1 only .

The company has its expense for investment in fixed assets amount 33 million bahts by using from financial source that derived from the company operation.

For subsidiary company , in 2007 , Agrifood Processing Co.,Ltd., had the total assets amount 46.7 million bahts , total liabilities amount 19.3 million bahts and shareholders' equity amount 27.4 million bahts .

**d) Factor and main influence that may effect on operation or financial situation in future**

in the year 2008 , the company believes that it would exportable approx. 23,100 metric tons and expects that the operation result would be moderated lower than 2007.

**13. OTHER DATA TO CONCERN**

- none -



nly

2005

1,182,159

80,742

1,101,417

1,083,917

1,107,578

274,397

78,686

7.10

7.14

6.66

0.28

0.25

-

3.98

4.27





















































