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บริษัท เชียงใหม่ฟรอสเซนฟู้ดส์ จำกัด (มหาชน)

149/34 ซอยแองโกลพลาซ่า ถนนสุรวงศ์ แขวงสุริยวงศ์ เขตบางรัก กรุงเทพฯ 10500

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED.

149/34 Soi Anglo Plaza Surawongse Rd., Suriyawongse, Bangrak, Bangkok 10500 Thailand

Tel : (662) 634-0061-4, 238-4091 Fax : (662) 238-4090

February 26, 2015

RE: Explanation and analysis financial situation for year 2014

To: Manager and Director

The Stock Exchange of Thailand

#### 1. Overview of previous operation

The Company conducts business as manufacturer of Frozen Vegetable Products for exportation. In the year 2014, Income earned by the company and subsidiary company decreased from the year 2013 amount 59.6 million baht caused net profit decreased 75.4 million baht due to sale value decreased from slow down of the consumer, also products as a whole of the company decreased from the quality of raw material.

##### 1.1 Operation result

###### Income

In the year 2014, the company and subsidiary company earned income from selling equal 1,413.6 million baht, decreased 12.9 million baht or 0.9% compared with the year 2013 and in the year 2014, the company and subsidiary company earned total income equal 1,403.7 million baht decreased 59.6 million baht or 4.1% compared with the year 2013. In the year 2014, main cause of decreased total income due to sale volume in the year 2014 was equal to 22,778 metric tons which decreased 1,591 metric tons or 6.5% when compared with the year 2013 from slowdown of consumers and loss from exchange rate 29.6 million baht in the year 2014 whereas having profit 17.7 million baht in the year 2013.

###### Cost of Sales

In the year 2014, the company and subsidiary company had cost of sales equal to 1,140.9 million baht, increased 28.0 million baht or 2.5% compared with the year 2013 due to in the year 2014, the company had an expenditure on fuel and energy equal to 156.4 million baht increased 14.4 million baht or 10.1% when compared with the year 2013 also productivity in the year 2014 decreased due to quality of raw materials when compared with the previous year 2013 made sale capital average per unit in the year 2014 increased from the year 2013 equal to 4.42 million baht or 9.7%.

###### Selling and Administration Expenses

In the year 2014, the company and subsidiary company had an expenditure in selling and administration equal to 192.3 million baht compared with the year 2013 equal to 193.7 million baht decreased 1.4 million baht come to 0.7%.



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#### Income tax

In the year 2014, the company and subsidiary company had a burden on income tax amount 10.1 million baht, compared with the year 2013 equal to 20.9 million baht decreased 10.8 million baht or 51.7% due to the company had profit from decreased attending business made income tax in the year 2014 decreased.

#### Net Profit

In the year 2014, the company and subsidiary company had net profit equal to 60.4 million baht, come to 4.3% of total income, decreased from the year 2013 which had net profit equal to 135.8 million baht come to 9.3% of total income made net profit portion per income decreased 5.0% or net profit decreased 75.4 million baht come to 55.5% when compared with the year 2013 due to following caused:

1. Total sale does not meet the target due to internal economic condition of the customer country still slow down.
2. Impact from exchange rate.
3. In the part of higher cost of sales from fuel factor and energy used in production, productivity decrease due to raw material quality.

#### 1.2 Effect on economic condition and industrial toward operation

As Japan which is an important co-trader of the company met the slowdown of economic condition continuously in the stage of many year passed, also Japan Governance had resolved to increase value added tax (VAT) from original 5% to 8%. Since April 1, 2014 inclusive weaken of direction on Yen currency value from the cause of Middle Bank of Japan had proclaimed to enlarge additional measurement of QE from 60 million million yens to 80 million million yens per year to stimulate internal economic of the country which effected value of Yen currency per US Dollar weaken about 7.6% (from 106 yens/US dollar to 118 yens/US Dollar) in the previous year end of 2014 and met direct impact toward importer which made higher in capital but incapable to adjust local selling price to reflect with increased capital due to it would strike against local small consumers that caused the company incapable to ask for raising a price to reflect with actual capital of the company

#### 1.3 Management tactics Policy

The Company has a principle policy in goods quality development and additional productivity per rai continuously but with the cause of increased wages and lack of labor in agricultural sector, the company then solves the problem by bringing machines to use in harvesting some parts to replace lack of labor but such plan still not success as expected. As from usage of such machines made quality of raw material inferior caused growing capital higher.



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#### 1.4 Product lines

The Company is a manufacturer and distributor of Frozen Vegetables which has one line product comprising Frozen Green Beans, Frozen Soy Beans, Frozen Sweet Corns, Frozen Baby Corns and Frozen Mixed Vegetables.

#### 1.5 Estimation compare

In the year 2014, the company had sale volume amount 22,778 metric tons, decreased from sale estimation amount 2,222 metric tons or 8.9% decreased from previous year amount 1,591 metric tons or 6.5%.

#### 1.6 Auditor viewpoint

Auditor expresses viewpoint toward financial statements of the company with no conditions and no remarks.

#### 1.7 Change of important accounting policy

The Company has no change on accounting policy. There is only change according to the standard measure of new accounting edition which effective but such change has no impact toward financial statements of the company with important essence.

#### 1.8 Irregular subject

The Company returns buying tax money which has no rights to ask for along with penalty and added money total amount 11.5 million baht.

### 2. Operation result and ability in making profit

#### 2.1 State and change with important essence

Financial Ratio		Consolidated		
		2014	2013	2012
Gross profit	%	19.29	21.98	25.53
Net profit on total Sales	%	4.27	9.52	11.67
Net profit on total Income	%	4.30	9.28	11.44
Return on equity	%	4.66	10.35	14.06
Return on assets	%	4.25	9.38	12.79
Net profit per share	Baht	0.16	0.36	0.46
Dividend per share	Baht	***0.10	0.31	0.28
Book value per share	Baht	3.33	3.48	3.41



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Net total assets per share	Baht	3.64	3.82	3.78
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Remark: Ratio of dividend payment from an operation result of the year 2014\*\*\* are still uncertain. It depends on the resolution of Ordinary Shareholder Meeting for annual 2015.

## 2.2 Cause of important change

Items	Consolidated			
	2014	2013	+,-	%
Net profit	60,426,087	135,817,973	(75,391,886)	(55.51)

Net profit of consolidated in the year 2014 decreased from the year 2013 amount 75.4 million baht or 55.5% excess 20%, having the cause of change as explained in point 1 overview of operation.

## 3. Ability in exercise assets

### 3.1 Trade accounts receivable

As the company sells the goods mainly by export and it is selling in the form of L/C and T/T, having time of collecting debt about 18 -25 days and existent trade accounts receivable are the debtors that have been traded for a long time, as passed, it found no bad debt problem, so the company does not reserve allowance for doubtful accounts – trade accounts receivable.

### 3.2 Inventories

- Most of the company products are semi-products which keep in cold storage with temperature -20 degree Celsius and are the products that produce for whole year customers.
- Inventories at date December 31, 2014 amount 438.9 million baht, deduct reserve deteriorate products amount 2.2 million baht with net 436.7 million baht.

### 3.3 Investment, goodwill and impairment

The Company makes recording impairment of assets when having point out that book value of assets may not receive back or when book value of assets excess than value which expected to receive back and has made to learn record of loss items from impairment in statements of income.

### 3.4 Important component parts of other assets and cause of change

Other non-current assets have no change with important essence.



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### 3.5 Cash, cash equivalents and current investments

The Company has a cash, cash equivalent and current investments which decreases from previous year 113 million baht. The Company bring to pay for buying products 97 billion baht, buying machines and renovate building 40 million baht.

## 4. Liquidity and investment sufficiency

### 4.1 Source of investments, suitability of investment structure

Items		Consolidated		
		2014	2013	+,-
Debt to Equity Ratio	Time	0.09:1	0.10:1	(0.01):1
Current Ratio	Time	12.90	11.49	1.41
Quick Ratio	Time	6.97	7.31	(0.34)

- Source of investment comes from all conducting business and use in an operation activities, having net cash 29.9 million baht, investment activity decreases amount 85.0 million baht and pay dividend amount 118.0 million baht.
- The Company has liabilities ratio : shareholder equity only 0.09:1. Therefore, investment structure of the company has security and suitable.

### 4.2 Investment expenditure, objective explain and capital source

The Company uses the capital from operation result of the company to buy goods amount 97 million baht, buy acquisition of fixed assets amount 40 million baht and pay dividend amount 118 million baht.

### 4.3 Liquidity sufficiency

The Company has ratio of liquidity 12.9 times and ratio of quick liquidity 6.97 times which regard as a good ratio of liquidity and having stability.

### 4.4 Ability in paying debt and act in accordance with important loan conditions, ability in seeking additional investment source

The Company has no debt burden from loan, there is only debt burden of normal business and obligation of official interest when age limit. As the company has a good liquidity, the company then has an ability in paying all debts.

## 5. Debt obligation and out of balance sheets burden management

- The Company has no dispute or to be prosecuted which shall impact toward financial status of the company.
- The Company learns and record obligation of official interest which age limit from working as standard accountant edition 19.



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- The Company has an ability in paying incurred obligation and to be duce in future and inclusive out of balance sheets burden due to the company has ratio of liabilities : shareholder equity very low and has good liquidity.

#### 6. Impact factor and future operation

##### External

- The Company may receive impact as Japan had adjusted to increase rate of value added tax (VAT) and weaken of Yen currency direction effect toward higher import capital, may effect toward consuming goods decrease.
- Fluctuate exchange rate make the company is still using the policy to reduce risk with financial implements same as previous year.
- Due to measurement to pawn the rice of previous government made the formers turn to grow more rice, but since this policy has changed make the formers turn to grow more plants in company project make the production having chance to adjust higher.
- From the trend of oil cost in the world market decreased, it may have good impact to the company both producing capital and transportation cost which trend to decrease as well as cost direction of world oil.

##### Internal

- The Company has a policy to increase production per rai continuously by having plan to adjust harvesting method to provide higher productivity.
- Not much change on competition nature so no effect on change in the market competition with important essence. But however, the company still lasts the policy to follow up original competitor and new competitor that shall enter to the market in future continuously.



Signature.....  
(Mr. Suwat Phongphasura)  
Authorized Director