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บริษัท เชียงใหม่ฟรozenฟู๊ดส์ 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

August 14, 2015

RE: Explanation and analysis financial situation for Quarter 2 year 2015

To: Manager and Director

The Stock Exchange of Thailand

1. Overview of previous operation

The Company conducts business as manufacturer of Frozen Vegetables for export. The Company has an operation result of consolidated for second quarter and 6 months instalment of the year 2015 as follows:

(Unit : Million baht)

Particular	Second Quarter				Six months period			
	2015	2014	+, -	%	2015	2014	+, -	%
Total Income	418.1	404.5	13.6	3.4	721.5	713.0	8.5	1.2
Net profit	49.6	30.7	18.9	61.6	51.7	44.1	7.6	17.2

According to the report of performance result in second quarter of the year 2015 (6 months) ended on June 30, 2015, the company earned total income amount 721.5 million baht, increased 8.5 million baht or increased 1.2% from the same period of previous year which had amount 713.0 million baht and gained net profit 51.7 million baht, increased 7.6 million baht or increased 17.2% when compared with the same period of previous year which had amount 44.1 million baht and when considers from total operation result in second quarter of the year 2015 when compare with an operation result in second quarter of the year 2014, the company earned total income 418.1 million baht, increased 13.6 million baht come to amount increased 3.4% and gained net profit 49.6 million baht, increased by 18.9 million baht come to amount increased 61.6%.

These increased total income and net profit are resulted from baht currency value when compares with us dollar currency which weakens continuously resulted the company earns profit from increased exchange rate by 32.8 million baht when compared with the same period of previous year which showed loss result from exchange rate by 32.5 million baht according to the report of total operation result in second quarter of the year 2015 (6 months).



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1.1 Operation result

Income

(Unit: Million baht)

Particular	Second Quarter				Six months period			
	2015	2014	+, -	%	2015	2014	+, -	%
Sales	416.0	407.8	8.2	2.0	714.1	734.1	(20.0)	(2.7)
Gain or Loss from exchange rate	(2.2)	(9.1)	6.9	75.8	0.3	(32.5)	32.8	100.9
From Interest	1.4	3.5	(2.1)	(60.0)	2.7	6.6	(3.9)	(59.1)
From Sale by products	2.7	2.0	0.7	35.0	4.0	2.7	1.3	48.2
Others	0.2	0.3	(0.1)	(33.3)	0.4	2.1	(1.7)	(81.0)
Total revenue	418.1	404.5	13.6	3.4	721.5	713.0	8.5	1.2

Total income increased amount 13.6 million baht for second quarter and increased by 8.5 million baht for 6 months period are mostly happened from:

- Selling income increased by 8.2 million baht for second quarter due to increased sale volume about 0.31% when compared with second quarter of the year 2014. However, when considered first 6 months of selling income of the year 2015 found that the company earned income from selling decreased by 20.0 million baht or came to 2.7% when compared with first 6 months total sale of the year 2014 due to economy slowdown of the co-trader Country.
- Loss result of exchange rate decreased by 6.9 million baht for second quarter and decreased by 32.8 million baht for 6 months instalment due to continuously weaken of baht currency value when compared with us dollar currency and follow up closely exchange rate of executive sections for the usage of financial implement in reducing risk from exchange rate.
- Interest income decreased by 2.1 million baht for second quarter and decreased by 3.9 million baht for 6 months instalment.
- Income from selling by products increased by 0.7 million baht for second quarter and increased by 1.3 million baht for 6 month instalment.



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Cost of Sales

(Unit: Million baht)

Particular	Second Quarter			Six months period		
	2015	2014	+, -	2015	2014	+, -
Sales	416.0	407.8		714.1	734.1	
Cost of Sales	304.1	310.5	(6.4)	564.5	557.9	6.6
%	73.1	76.1	(3.0)	79.1	76.0	3.1

Cost of Sales for second quarter decreased by 3.0% happened from decreased of producing expenditure such as wages, overtime and electricity cost and the company had increased Cost of Sales for 6 months instalment by 3.1% due to continuous impact from first quarter in the quality matter of inferior quality raw materials from usage of harvesting machine.

Selling and Administration Expenses

(Unit: Million baht)

Particular	Second Quarter			Six months period		
	2015	2014	+, -	2015	2014	+, -
Sales	416.0	407.8		714.1	734.1	
Selling and Administration Expenses	47.6	57.3	(9.7)	87.6	102.3	(14.7)
%	11.4	14.1	(2.7)	12.3	13.9	(1.6)

Expenses in selling and administration decreased by 9.7 million baht for second quarter and decreased by 14.7 million baht for 6 months instalment due to in the year 2014, the company returned value added tax that had no right to ask for return along with penalty and added money total amount 10.6 million baht which were not regular expenses and in the year 2015, freight charge for export increased by 0.5% due to weaken of baht currency value when compared with us dollar and investment project expenses at the Republic of the Union of Myanmar increased by 1.5 million baht.



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Income tax

(Unit: Million baht)

Particular	Second Quarter			Six months period		
	2015	2014	+,-	2015	2014	+,-
Sales	416.0	407.8		714.1	734.1	
Income tax	16.7	6.0	10.7	17.7	8.6	9.1
%	4.0	1.5	2.5	2.5	1.2	1.3

Income tax increased by 10.7 million baht for second quarter and increased by 9.1 million baht for 6 months instalment due to in the year 2015, profit gained from operation must pay income tax in the rate 20% whereas in the year 2014 profit gained from most operation must pay income tax in the rate 10%. Such higher tax happen from expiry of Investment Promotion Certificates in the year 2014.

Net Profit

(Unit: Million baht)

Particular	Second Quarter			Six months period		
	2015	2014	+,-	2015	2014	+,-
Sales	416.0	407.8		714.1	734.1	
Total Income	418.1	404.5		721.5	713.0	
Net profit	49.6	30.7	18.9	51.7	44.1	7.6
Net profit / Sales (%)	11.9	7.5	4.4	7.2	6.0	1.2
Net profit / Total Income (%)	11.9	7.6	4.3	7.2	6.2	1.0

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 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 developing products quality and continuously increases production per rai but as from the policy of low wages inclusive lack of labor in the field of agriculture made the company has an



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increment of labor capital. In the year 2014, the company then solved the problem by bringing machine to use in harvesting some parts to substitute lack of labor. However, to use machine for such harvesting results raw materials quality inferior, then it made the company incur higher capital from inferior quality of raw materials in first quarter.

As the current government has abolished price guarantee policy on rice may impact in the part of company advantage that is to draw attention of the farmers to participate in cultivating agricultural products that are raw materials which more required by the company.

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

When compares with an estimation in the year 2015, The Company has a sale volume increased amount 624 metric tons or 10.71% for second quarter and decreased amount 348 metric tons or 2.99% for 6 months instalment.

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

- Dividend received from subsidiary company amount 16.8 million baht (Separate Financial Statements)
- The Company had expenses on investment project at Union of the Republic of the Union of Myanmar amount 1.5 million baht.

2. Operation result and ability in making profit

2.1 State and change with important essence

Ratios		Second Quarter			6 Months period		
		2015	2014	2013	2015	2014	2013
Gross margin	%	26.90	23.87	24.36	20.94	23.99	22.25
Net profit on total Sales	%	11.93	7.54	16.91	7.24	6.01	13.43



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Net profit on total Income	%	11.87	7.60	15.78	7.17	6.18	12.64
Return on equity	%	3.87	2.45	5.80	4.04	3.52	7.80
Return on assets	%	3.47	2.18	5.24	3.61	3.12	7.05
Net profit per share	Baht	0.13	0.08	0.20	0.14	0.12	0.26
Book value per share	Baht	3.36	3.29	3.39	3.36	3.29	3.39
Net total assets per share	Baht	3.76	3.70	3.75	3.76	3.70	3.75

2.2 Cause of important change

Particular	Second Quarter				Six months period			
	2015	2014	+, -	%	2015	2014	+, -	%
Net profit	49.6	30.7	18.9	61.6	51.7	44.1	7.6	17.2

Net profit of consolidated in the year 2015 increased by 18.9 million baht or come to 61.6% for second quarter exceed 20% when compared with the same instalment of previous year and increased by 7.6 million baht or come to 17.2% for 6 months instalment in which cause of change as already explained in point 1 overall 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 June 30, 2015 amount 444.8 million baht, deduct reserve deteriorate products amount 2.2 million baht with net 442.6 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 increased from December 31, 2014 amount 18.8 million baht.

4. Liquidity and investment sufficiency

4.1 Source of investments, suitability of investment structure

Particular		Consolidated		
		30/6/2015	31/12/2014	+,-
Debt to Equity Ratio	Time	0.12:1	0.09:1	0.03:1
Current Ratio	Time	9.97	12.90	(2.93)
Quick Ratio	Time	5.60	6.97	(1.37)

- Source of investment has come from the whole conducting business and used in the performance activities, available net cash which comes from performance activities amount 65.8 million baht, net cash comes from investment activities amount 236.9 million baht and net cash uses in the financial source activities amount 37.9 million baht.
- The Company has liabilities ratio: shareholder equity only 0.12:1 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 the products which increases amount 5.9 million baht, buy acquisition of fixed assets amount 8.6 million baht and pay dividend amount 37.9 million baht.

4.3 Liquidity sufficiency

The Company has ratio of liquidity 9.97 times and ratio of quick liquidity 5.60 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.....Signature.....

(Mr. Suwat Phongphasura)

Authorized Director