

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND ITS SUBSIDIARY**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2012 AND 2011 (UNAUDITED) AND 31 DECEMBER 2011 (AUDITED)**

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**1. GENERAL INFORMATION**

Chiangmai Frozen Foods Public Company Limited was a public company limited and was listed on the Stock Exchange of Thailand in 1993. The Group are engaged in business of manufacturing and exporting of frozen fruits and vegetable and transmuted sweet corn distribution. The address of its registered office are as follows :

Head Office is located at 149/34 floor 3<sup>rd</sup> - 4<sup>th</sup> Soi Anglo Plaza, Surawongse road, Surawongse, Bangrak, Bangkok.

Branch Office 1 is located at 92 Moo.3, Chiangmai - Phrao road, Tumbol Nongjom, Amphur Sansai, Chiangmai.

Branch Office 2 is located at 299 Moo.14, Chiangmai - Phrao road, Tumbol Maefak mai, Amphur Sansai, Chiangmai

**2. BASIS FOR INTERIM FINANCIAL STATEMENTS PREPARATION**

The interim financial statements are prepared on a condensed basis in accordance with Thai Accounting Standard (TAS) No. 34 (revised 2009) Interim Financial Reporting; guidelines promulgated by the Federation of Accounting Professions (FAP); and applicable rules and regulations of the Thai Securities and Exchange Commission, and with generally accepted accounting principles in Thailand.

The interim financial statements are prepared to provide an update on the financial statements for the year ended 31 December 2011. They do not include all of the financial information required for full annual financial statements but focus on new activities, events and circumstances to avoid repetition of information previously reported. Accordingly, these interim financial statements should be read in conjunction with the financial statements of the Company and its subsidiary for the year ended 31 December 2011.

The accounting policies and methods of computation applied in these interim financial statements are consistent with those applied in the financial statements for the year ended 31 December 2011.

“The Company” represents “Chiangmai Frozen Foods Public Company Limited,” while “The Group” represents “Chiangmai Frozen Foods Public Company Limited” and its subsidiary which is “Agrifood Processing Company Limited”.

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

**3. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE**

During the period, the Federation of Accounting Professions issued the financial reporting standard No. 8 Operating Segments that is effective for fiscal years beginning on or after 1 January 2013.

The Company’s management believes that the above accounting standard will not have any significant impact on the financial statements for the year when it is initially applied.

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**4. TRANSACTIONS WITH RELATED COMPANIES**

**4.1 Relationships and pricing policies**

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

	<u>Relationship</u>
<b><u>Subsidiary :</u></b>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<b><u>Related companies :</u></b>	
Itochu Corporation Co., Ltd.	Shareholder
P.P. Foods Supply Co., Ltd.	Common shareholder
Ing Shiang Co., Ltd.	Common shareholder
C.T.Prosper Group Co.,Ltd.	Common Shareholders and directors
	<u>Pricing policy</u>
Sales	At normal business prices, as same as other entities
Rental revenue	At contract price which had been agreed upon
Service income	At price which had been agreed upon
Commission	At rate 1.50 - 3.00% of sales

**4.2 Balances of transactions with subsidiary and related companies**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<b>Trade accounts receivable</b>				
Agrifood Processing Co., Ltd.	-	-	16,612,356	14,700,869
Itochu Corporation Co., Ltd.	11,540,022	2,368,964	10,479,304	1,385,130
Ing shiang Co., Ltd.	4,163,527	2,886,871	3,296,251	2,886,871
Total	<u>15,703,549</u>	<u>5,255,835</u>	<u>30,387,911</u>	<u>18,972,870</u>
<b>Accrued commission</b>				
Itochu Corporation Co., Ltd.	1,432,845	1,039,502	1,084,395	679,720
P. P. Foods Supply Co., Ltd.	264,707	300,841	264,707	300,841
Ing shiang Co., Ltd.	1,668,303	2,953,362	1,668,303	2,953,362
Total	<u>3,365,855</u>	<u>4,293,705</u>	<u>3,017,405</u>	<u>3,933,923</u>
<b>Deposit</b>				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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**4. TRANSACTIONS WITH RELATED COMPANIES (CON'T)**

**4.3 Revenue and expenses between the Company and related parties**

Revenue and expenses between the Company and related parties for the three-month period ended 30 June 2012 and 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	57,449,558	59,643,216
Itochu Corporation Co., Ltd.	45,736,054	53,136,087	39,447,007	41,596,400
P.P. Foods Supply Co., Ltd.	-	2,338,426	-	1,820,426
Ing shiang Co., Ltd.	3,723,784	1,798,835	2,865,053	1,798,835
Total	<u>49,459,838</u>	<u>57,273,348</u>	<u>99,761,618</u>	<u>104,858,877</u>
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	168,900	162,300
C.T.Prosper Group Co.,Ltd.	22,500	22,500	22,500	22,500
Total	<u>22,500</u>	<u>22,500</u>	<u>191,400</u>	<u>184,800</u>
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	976,046	1,115,130	853,588	872,164
P.P. Foods Supply Co., Ltd.	193,782	182,895	193,782	182,895
Ing shiang Co., Ltd.	853,070	560,471	853,070	560,471
Total	<u>2,022,898</u>	<u>1,858,496</u>	<u>1,900,440</u>	<u>1,615,530</u>
<b>Directors and management's remuneration</b>	<u>7,389,333</u>	<u>7,879,258</u>	<u>6,802,683</u>	<u>7,290,808</u>

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**4. TRANSACTIONS WITH RELATED COMPANIES (CON'T)**

**4.3 Revenue and expenses between the Company and related parties (Con't)**

Revenue and expenses between the Company and related parties for the six-month period ended 30 June 2012 and 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Revenues from sales</b>				
Agrifood Processing Co., Ltd.	-	-	116,780,780	111,304,149
Itochu Corporation Co., Ltd.	88,608,578	85,608,334	64,463,210	60,755,204
P.P. Foods Supply Co., Ltd.	-	4,788,526	-	4,048,526
Ing shiang Co., Ltd.	7,055,121	3,160,799	6,196,390	3,160,799
Total	<u>95,663,699</u>	<u>93,557,659</u>	<u>187,440,380</u>	<u>179,268,678</u>
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	337,800	322,200
C.T.Prosper Group Co.,Ltd.	45,000	45,000	45,000	45,000
Total	<u>45,000</u>	<u>45,000</u>	<u>382,800</u>	<u>367,200</u>
<b>Commission expenses</b>				
Itochu Corporation Co., Ltd.	2,004,013	1,833,899	1,483,503	1,325,446
P.P. Foods Supply Co., Ltd.	478,698	484,233	478,698	484,233
Ing shiang Co., Ltd.	1,631,299	1,173,665	1,631,299	1,173,665
Total	<u>4,114,010</u>	<u>3,491,797</u>	<u>3,593,500</u>	<u>2,983,344</u>
<b>Directors and management's remuneration</b>	<u>14,778,666</u>	<u>15,373,815</u>	<u>13,605,366</u>	<u>14,196,915</u>

**5. SHORT - TERM INVESTMENTS**

As at 30 June 2012, The Group has fixed deposit which are 5 and 11 month (31 December 2011: 4 to 11 month) bear interest at the rate of 3.30% - 3.75% per annum (31 December 2011: 3.60% - 4.35% per annum).

**6. TRADE ACCOUNTS RECEIVABLE**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Accounts receivable - related companies (Note 4.2)	15,703,549	5,255,835	30,387,911	18,972,870
Accounts receivable - other companies	173,962,176	52,538,462	161,597,612	38,434,776
Less allowance for doubtful accounts	(2,751,014)	(2,751,014)	(2,751,014)	(2,751,014)
Accounts receivable - other companies - net	<u>171,211,162</u>	<u>49,787,448</u>	<u>158,846,598</u>	<u>35,683,762</u>
Total	<u>186,914,711</u>	<u>55,043,283</u>	<u>189,234,509</u>	<u>54,656,632</u>

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**6. TRADE ACCOUNTS RECEIVABLE (CON'T)**

Aging of trade accounts receivable as at 30 June 2012 and 31 December 2011 are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Accounts receivable - related companies				
Not yet due receivable	13,019,652	4,691,081	27,704,014	18,408,116
Over due with 1 to 3 months	2,306,821	564,754	2,306,821	564,754
Over due with 4 to 6 months	377,076	-	377,076	-
Total accounts receivable - related companies	<u>15,703,549</u>	<u>5,255,835</u>	<u>30,387,911</u>	<u>18,972,870</u>
Accounts receivable - other companies				
Not yet due receivable	129,959,910	49,049,348	117,595,346	34,945,662
Over due with 1 to 3 months	41,251,252	738,100	41,251,252	738,100
Over 12 months	2,751,014	2,751,014	2,751,014	2,751,014
Total accounts receivable - other companies	<u>173,962,176</u>	<u>52,538,462</u>	<u>161,597,612</u>	<u>38,434,776</u>
Less Allowance for doubtful accounts	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>	<u>(2,751,014)</u>
Total accounts receivable - other companies - net	<u>171,211,162</u>	<u>49,787,448</u>	<u>158,846,598</u>	<u>35,683,762</u>

**7. ACCOUNTS RECEIVABLE - PLANTERS**

	In Baht	
	30 June 2012	31 December 2011
Accounts receivable- planters	21,093,364	29,832,380
Less allowance for doubtful accounts	(1,054,627)	(1,010,424)
Net	<u>20,038,737</u>	<u>28,821,956</u>

**8. INVENTORIES**

Consolidated financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories – net	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Finished goods and semi - finished products	315,941,669	280,788,803	(5,701,795)	(6,092,617)	310,239,874	274,696,186
Raw material and supplies	36,973,982	32,036,954	(370,757)	(263,802)	36,603,225	31,773,152
Seeds, insecticide fertilizer	40,349,446	29,788,256	(90,240)	-	40,259,206	29,788,256
Total	<u>393,265,097</u>	<u>342,614,013</u>	<u>(6,162,792)</u>	<u>(6,356,419)</u>	<u>387,102,305</u>	<u>336,257,594</u>

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**8. INVENTORIES (CON'T)**

Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories – net	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Finished goods and semi - finished products	313,879,837	280,788,803	(5,701,795)	(6,092,617)	308,178,042	274,696,186
Raw material and supplies	36,973,982	32,036,954	(370,757)	(263,802)	36,603,225	31,773,152
Seeds, insecticide fertilizer	40,349,446	29,788,256	(90,240)	-	40,259,206	29,788,256
Total	<u>391,203,265</u>	<u>342,614,013</u>	<u>(6,162,792)</u>	<u>(6,356,419)</u>	<u>385,040,473</u>	<u>336,257,594</u>

**9. PROPERTY, PLANT AND EQUIPMENT**

	In Baht	
	Consolidated financial statements	Separate financial statements
For the six month period ended 30 June 2012		
Book value, beginning of period	407,198,912	406,033,043
Acquisition of assets	13,366,369	13,333,144
Disposal of assets	(12,706)	(12,706)
Depreciation	(32,379,929)	(32,191,547)
Book value, end of period	<u>388,172,646</u>	<u>387,161,934</u>

**10. TRADE AND OTHER PAYABLES**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
Trade payables	47,987,868	35,556,013	47,987,868	35,556,013
Accrued commission – related company (Note 4.2)	3,365,855	4,293,705	3,017,405	3,933,923
Accrued expenses	33,615,683	29,175,317	32,755,502	28,427,543
Other payables	1,113,630	385,603	1,113,630	385,603
Total	<u>86,083,036</u>	<u>69,410,638</u>	<u>84,874,405</u>	<u>68,303,082</u>

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**11. EMPLOYEE BENEFIT OBLIGATIONS**

The Group adopted TAS 19 Employee Benefits with effect from 1 January 2011.

The Group operate post employment benefit and pension based on the requirement of Thai Labor Protection Act B.E. 2541 (1998) to provide retirement benefits and other long term benefit to employees based on pensionable remuneration and length of service.

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2012	2011	2012	2011
<b>Movement in the present value of the defined benefit obligations:</b>				
For the six month periods ended 30 June				
Defined benefit obligations at 1 January	26,241,311	23,095,014	24,899,344	21,824,793
Current service costs and interest	1,863,667	1,573,187	1,825,176	1,537,314
<b>Defined benefit obligations at 30 June</b>	<b>28,104,978</b>	<b>24,668,201</b>	<b>26,724,520</b>	<b>23,362,107</b>

The above expense recognised in profit or loss

**For the three months period ended 30 June**

Current service costs	763,086	701,273	748,432	687,224
Interest on obligation	168,747	138,609	164,156	134,721
<b>Total</b>	<b>931,833</b>	<b>839,882</b>	<b>912,588</b>	<b>821,945</b>

**For the six months period ended 30 June**

Current service costs	1,526,172	1,295,968	1,496,864	1,267,872
Interest on obligation	337,495	277,219	328,312	269,442
<b>Total</b>	<b>1,863,667</b>	<b>1,573,187</b>	<b>1,825,176</b>	<b>1,537,314</b>

The above expense recognised in profit or loss is recognised in the following line items.

**For the three months period ended 30 June**

Cost	704,319	676,656	704,319	676,656
Selling expenses	42,696	30,846	37,341	26,037
Administrative expenses	184,818	132,380	170,928	119,252
<b>Total</b>	<b>931,833</b>	<b>839,882</b>	<b>912,588</b>	<b>821,945</b>

**For the six months period ended 30 June**

Cost	1,408,638	1,261,092	1,408,638	1,261,092
Selling expenses	85,393	61,693	74,682	52,074
Administrative expenses	369,636	250,402	341,856	224,148
<b>Total</b>	<b>1,863,667</b>	<b>1,573,187</b>	<b>1,825,176</b>	<b>1,537,314</b>

Principal actuarial assumptions at the reporting date

Discount rate	3.56% per annum
Salary increase rate	5%
Employee turnover rate	Scale related to Age ranging from 0 - 37.5%
Mortality rate	According to Thailand TMO 1997 male and female tables

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**12. DIVIDENDS PAID**

At the ordinary shareholders' meeting dated on 20 April 2012, the shareholders approved the payment of dividends at Baht 0.14 per share for 381,145,725 shares totaling Baht 53.4 million out of operating of the year 2011 and the Company has already paid for such dividends on 11 May 2012.

At the ordinary shareholders' meeting dated on 29 April 2011, the shareholders approved the payment of dividends at Baht 0.35 per share for 381,145,725 shares totaling Baht 133.4 million out of operating of the year 2010 and the Company has already paid for such dividends on 27 May 2011.

**13. SEGMENT INFORMATION**

The Group has engaged in business of manufacturing and exporting of frozen fruits and vegetables, transmuted sweet corn and operated in one geographical area in Thailand. As the business segment of transmuted sweet corn has immaterial amount. Therefore, these financial statements do not present the geographical segment.

Export sales of the Group during the three - month and six - month periods ended 30 June 2012 and 2011 represented approximately 98 percent of total sales.

**14. FOREIGN CURRENCY RISK AND RISK MANAGEMENT**

The Group exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Group have policies to hedge such risks by using derivative financial instruments. As at 30 June 2012, the Group have outstanding forward foreign exchange selling contracts total of U.S. Dollars 28.2 million in exchange of Baht 906.2 million with 3 commercial banks. The contract will be due in June 2013. Per comparative between fair value and contract value, the loss amounting Baht 12.3 million is incurred.

**15. COMMITMENT AND CONTINGENT LIABILITIES**

As at 30 June 2012

15.1 The Company has commitment to pay the uncalled investments in Agrifood Processing Co., Ltd. amounting to approximately Baht 90.0 million.

15.2 The Company has commitments for software license and system consulting agreement amounting of Baht 1.6 million.

15.3 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.

**16. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved by the Company's Board of directors on 14 August 2012.