

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

---

**1. GENERAL INFORMATION**

Chiangmai Frozen Foods Public Company Limited was a public company limited and was listed on the Stock Exchange of Thailand in 1993. The Company and subsidiary are engaged in business of manufacturing and exporting of frozen fruits and vegetable and transmuted sweet corn distribution. The registered office of the Company is located at 149/34 Soi Anglo Plaza, Surawongse road, Bangrak, Bangkok.

**2. BASIS FOR FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS PREPARATION**

The consolidated and the separate financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act, B.E.2543 being those Thai Accounting Standards issued under the Accounting Profession Act, B.E. 2547 and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The preparation of financial statements in conformity with Thai generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The Company financial statements have been prepared under the historical cost.

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

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

**3. NEW ACCOUNTING STANDARD AND AMENDMENTS TO ACCOUNTING STANDARDS**

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

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



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

---

**3. NEW ACCOUNTING STANDARD AND AMENDMENTS TO ACCOUNTING STANDARDS (CONTINUED)**

These accounting standards will become effective for the financial statements for fiscal years beginning on or after January 1, 2008. The management has assessed the effect of these revised accounting standards and believes that TAS 43 (revised 2007) and TAS 49 (revised 2007) are not relevant to the business of the Company, whereas TAS 25 (revised 2007), TAS 29 (revised 2007), TAS 31 (revised 2007), TAS 33 (revised 2007), TAS 35 (revised 2007), TAS 39 (revised 2007), TAS 41 (revised 2007) and TAS 51 do not have any significant impact on the financial statements for the current period.

The following standards are revised and mandatory for accounting periods beginning on or after January 1, 2009; and have not been early adopted by the Company

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current assets held for sale and Discontinued operations

Those two standards are not expected to have a material impact on the financial statements being presented.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of the Company and subsidiary' financial statements are as follows:

**4.1 Cash and Cash Equivalents**

Cash and cash equivalents consist of cash in hand, cash at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

Deposits at financial institutions that are restricted in use are presented as "Fixed deposits pledged as collateral" as part of non - current assets in the balance sheets.

**4.2 Accounts Receivable**

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

**4.3 Allowance For Doubtful Accounts**

The Company and subsidiary provide allowance for doubtful accounts equal to the estimated losses that may be incurred in the collection of receivables and receivables- planters. The estimated losses are based on the collection experiences and the review of the current status of the existing receivables. Bad debts are written off during the year in which they are identified.

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

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

Other than mentioned general allowance, the individual allowance for specific debtors is also estimated by considering the customer's past collection experiences and its financial positions.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

---

**4.4 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

**4.5 Investments in subsidiary**

Subsidiary, which is those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiary is consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Investment in subsidiary is reported by using the cost method of accounting in the separate financial statements.

**4.6 Property, Plant and Equipment**

Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation.

Depreciation of plant and equipment are calculated on the straight line method over their estimated useful lives as follows:

	<b>No. of Years</b>
Buildings	20
Machineries and equipment	5-10
Vehicles	5
Office equipment and fixtures	5

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

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

**4.7 Non-operating assets**

Non-operating assets are stated at the lower of cost and net realizable value.



#### **4.8 Intangible asset and amortization**

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

#### **4.9 Finance Leases**

Leases of assets where the Company and subsidiaries have substantially been transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized as assets and liabilities at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The lease payment amount net of finance charges is recorded as the reduction of the outstanding liability. The depreciable assets acquired under finance leases are depreciated over the useful life of the assets.

#### **4.10 Impairment of Assets**

The Company and subsidiary reviewed the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount (the higher of an assets selling price or value in use). The review is made for individual assets or the cash generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Company and subsidiary recognize the impairment losses in the statements of income. The reversal of impairment losses recognized in prior years is recorded as other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased.

#### **4.11 Foreign Currency Transactions**

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

#### **4.12 Provisions**

Provisions are recognized when the Company and subsidiary have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company and subsidiary expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

#### **4.13 Revenue Recognition**

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

Interest incomes are recognized on an accrual basis.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

---

**4.14 Income Tax**

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

**4.15 Basic Earnings per Share**

Basic earnings per share is calculated by dividing the net income by weighted average number of paid - up common shares during the years.

**4.16 Financial instruments**

Financial assets carried on the balance sheet include cash and cash equivalents, trade accounts receivable and loan. Financial liabilities carried on the balance sheet include trade accounts payable, accrued expenses. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**4.17 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiary and fellow subsidiary are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

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

**5. TRANSACTION WITH PERSON AND RELATED PARTIES**

The Company has certain transactions with its subsidiary, and related companies. A portion of assets, liabilities, revenues and expenses arose from transactions with said Subsidiary and related companies.

**5.1 Relationships and pricing policies**

The relationship and pricing policies among the Company, Subsidiary, 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>	
C&W Interfoods Co.,Ltd.	Directorship
Itochu Corporation Co., Ltd.	Shareholder
P.P Foods Supply Co., Ltd.	Common shareholder
Ing Shiang Co., Ltd.	Common shareholder
Agri World Co.,Ltd	Common Shareholders and directors
C.T.Prosper Group Co.,Ltd	Common Shareholders and directors
Wonder Interfoods Co.,Ltd	Share held by close relative of directors.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**Pricing policy**

Sales	At normal business prices, as same as other entities.
Rental revenue	At contract price which had been agreed upon.
Service income	At price which had been agreed upon
Service expense	At price which had been agreed upon
Commission	At rate 1.50 – 3.00% of sales
Loan to	At interest rate 3.25% per annum.

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

Balances of transactions among the Company, Subsidiary and related companies as at December 31, 2008 and 2007 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<b>Trade accounts receivable</b>				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	17,520,430	16,845,141
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	9,002,795	5,667,280	7,330,073	2,991,113
P P Foods Supply Co., Ltd	9,004,700	12,313,180	8,860,700	12,313,180
Ing shiang Co., Ltd.	4,790,400	1,067,264	4,790,400	1,067,264
Total	22,797,895	19,047,724	20,981,173	16,371,557
Grand Total	22,797,895	19,047,724	38,501,603	33,216,698
<b>Accrued interest</b>				
C&W Interfoods Co.,Ltd.	132,708	67,627	132,708	67,627
<b>Long - term loans to</b>				
C&W Interfoods Co.,Ltd.	24,500,000	24,500,000	24,500,000	24,500,000

In 2005 The Company entered into an agreement to lend to related company (C&W Interfoods Co.,Ltd.), amount to Baht 24.5 million and will be repayable within year 2010. The interest is repayable on monthly basis under the interest rate of 3.25 per annum. Such loan was guaranteed by Wonder Interfoods Co.,Ltd., which is the major shareholders of C&W Interfoods Co.,Ltd.and Mr.Nirand Pholpipattanapong ,the director of C&W Interfoods Co.,Ltd.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<b>Accrued commission expenses</b>				
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	651,136	1,082,757	434,399	957,151
P P Foods Supply Co., Ltd.	945,489	2,702,543	945,489	2,702,543
Ing shiang Co., Ltd.	1,939,363	420,253	1,939,363	420,253
Total	3,535,988	4,205,553	3,319,251	4,079,947
<b>Accrued expenses</b>				
Agri World Co.,Ltd	-	302,673	-	302,673
<b>Deposit</b>				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

**5.3 Revenue and expenses among the Company, subsidiary and related companies**

Revenue and expenses among the Company, subsidiary and related companies for the years then ended December 31, 2008 and 2007 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
<b>Sales</b>				
<b>Subsidiary</b>				
Agrifood Processing Co., Ltd.	-	-	212,790,327	135,528,004
<b>Related companies</b>				
C&W Interfoods Co.,Ltd.	1,600	33,000	-	-
Itochu Corporation Co., Ltd.	170,305,735	153,948,074	118,693,458	116,968,925
P.P Foods Supply Co., Ltd.	9,959,700	15,011,580	9,548,700	14,935,580
Ing shiang Co., Ltd.	10,856,587	1,946,132	10,228,445	1,946,132
Total	191,123,622	170,938,786	138,470,603	133,850,637
Grand Total	191,123,622	170,938,786	351,260,930	269,378,641
<b>Other income</b>				
Agrifood Processing Co., Ltd.	-	-	620,400	631,760
C.T.Prosper Group Co.,Ltd	90,000	90,000	90,000	90,000
Total	90,000	90,000	710,400	721,760
<b>Interest revenue</b>				
C&W Interfoods Co.,Ltd.	796,250	796,250	796,250	796,250
<b>Commission Expenses</b>				
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	3,414,966	2,997,608	2,364,368	2,333,848
P.P Foods Supply Co., Ltd.	2,055,755	1,785,391	2,055,755	1,785,391
Ing shiang Co., Ltd.	1,870,371	870,068	1,870,371	870,068
Total	7,341,092	5,653,067	6,290,494	4,989,307
<b>Accrued expenses</b>				
Agri World Co.,Ltd	1,210,692	302,673	1,210,692	302,673



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**6. CASH AND CASH EQUIVALENTS**

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Cash on hand	116,343	115,875	106,343	105,875
Regular checking accounts	1,336,350	622,247	-	-
Saving accounts	107,749,668	62,718,358	90,383,262	52,065,442
Fixed deposits : Less than 3 months	5,440,729	78,851,479	-	70,000,000
Total	<u>114,643,090</u>	<u>142,307,959</u>	<u>90,489,605</u>	<u>122,171,317</u>

The weighted average effective interest rates of deposits at financial institutions were 0.25% – 4.00% per annum (2007: 0.50 % – 3.00 % per annum).

**7. SHORT – TERM INVESTMENTS**

Short - term investments are deposits at financial institution which are 4 - 6 month fixed deposits bear interest at the rate of 1.90 - 4.00% per annum (2007: 2.80% per annum).

**8. TRADE ACCOUNTS RECEIVABLE**

The aging of outstanding balances as at December 31, 2008 and 2007 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2008	2007	2008	2007
Accounts receivable – Related Companies				
Not yet due receivables	12,780,947	7,341,280	28,514,619	21,510,254
Over due with 1 month to 3 months	5,756,998	4,201,464	5,727,034	4,201,464
Over due with 4 months to 6 months	1,482,750	4,068,760	1,482,750	4,068,760
Over due with 7 months to 12 months	2,777,200	3,436,220	2,777,200	3,436,220
Total accounts receivable – Related Companies	<u>22,797,895</u>	<u>19,047,724</u>	<u>38,501,603</u>	<u>33,216,698</u>
Trade accounts receivable – Other Companies				
Not yet due receivables	51,639,847	42,053,633	39,672,616	29,347,041
Over due with 1 month to 3 months	6,228,505	1,475,683	6,228,505	1,353,283
Over due with 4 month to 6 months	3,130,719	-	3,130,719	-
Over due with 7 months to 12 months	-	2,721,014	-	2,721,014
Over due 12 months	2,751,014	30,000	2,751,014	30,000
Total accounts receivable – Other Companies	<u>63,750,085</u>	<u>46,280,330</u>	<u>51,782,854</u>	<u>33,451,338</u>
Less Allowance for doubtful accounts	<u>(2,751,014)</u>	<u>(2,721,014)</u>	<u>(2,751,014)</u>	<u>(2,721,014)</u>
Total accounts receivable – Other Companies- Net	<u>60,999,071</u>	<u>43,559,316</u>	<u>49,031,840</u>	<u>30,730,324</u>



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**9. INVENTORIES – NET**

	In Baht	
	Consolidated and Separate financial statements	
	2008	2007
Finished goods and semi – finished products	294,365,295	317,943,090
Raw material and supplies	29,095,336	24,172,086
Seeds, insecticide, fertilizer	32,455,814	27,861,776
Total	355,916,445	369,976,952
<u>Less</u> Provision for obsolescence		
- Finished goods and semi – finished products	(2,207,779)	(2,098,676)
- Raw material and supplies	(427,723)	(1,196,082)
- Seeds, insecticide, fertilizer	(94,301)	(150,103)
Total	(2,729,803)	(3,444,861)
Net	353,186,642	366,532,091

During 2008, the Company reversed of provision for inventory obsolescence amounting to Baht 0.7 million (2007: Bath 9.4 million.) in the consolidated and separate financial statements.

**10. ACCOUNTS RECEIVABLE – PLANTERS – NET**

	In Baht	
	Consolidated and Separate financial statements	
	2008	2007
Accounts receivable-planters	27,278,068	30,200,091
<u>Less</u> Allowance for doubtful accounts	(711,521)	(904,572)
Net	26,566,547	29,295,519

**11. INVESTMENTS IN SUBSIDIARY**

As at December 31, 2008 and 2007.

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



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**12. PROPERTY, PLANT AND EQUIPMENT - NET**

**CONSOLIDATED FINANCIAL STATEMENTS**

	In Baht						
	Land	Building	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
As at December 31, 2007							
Cost	82,945,217	418,325,186	651,990,539	39,270,960	21,213,677	8,801,959	1,222,547,538
Less Accumulated depreciation	-	(175,636,609)	(466,256,114)	(30,087,752)	(18,747,092)	-	(690,727,567)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	82,945,217	242,688,577	180,205,590	9,183,208	2,466,585	8,801,959	526,291,136
For the year ended							
December 31, 2008							
Opening net book amount	82,945,217	242,688,577	180,205,590	9,183,208	2,466,585	8,801,959	526,291,136
Add Acquisition	-	1,279	5,206,243	12,982,853	1,133,481	18,459,905	37,783,761
Transfer in (out)	-	5,808,590	17,297,655	-	-	(23,106,245)	-
Transfer to non-operating assets	-	-	(5,741,997)	-	-	-	(5,741,997)
Less Disposals	-	-	(7,132)	(6)	(12)	-	(7,150)
Depreciation charge	-	(23,419,239)	(41,163,276)	(5,206,657)	(1,256,388)	-	(71,045,560)
Closing net book amount	82,945,217	225,079,207	155,797,083	16,959,398	2,343,666	4,155,619	487,280,190
As at December 31, 2008							
Cost	82,945,217	424,135,055	662,127,027	44,240,440	22,248,415	4,155,619	1,239,851,773
Less Accumulated depreciation	-	(199,055,848)	(500,801,109)	(27,281,042)	(19,904,749)	-	(747,042,748)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	82,945,217	225,079,207	155,797,083	16,959,398	2,343,666	4,155,619	487,280,190

Net book value of land and structures thereon and portion of equipment amounted to Baht 151.7 million (2007: Baht 162.3 million) were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions as discussed in Note 16 to the financial statements.

As at December 31, 2008 and 2007, the Company has fully depreciated equipment which are still in use to approximately Baht 369.2 million and Baht 376.9 million, respectively.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**12. PROPERTY, PLANT AND EQUIPMENT - NET (CONTINUED)**

**THE SEPARATE FINANCIAL STATEMENTS**

	In Baht				
	Land	Building	Machineries and equipment	Vehicle	Office equipment and fixtures
					Building in progress and machinery under installation
					Total
At December 31, 2007					
Cost	82,945,217	418,325,186	651,990,539	38,296,208	20,145,839
Less Accumulated depreciation	-	(175,636,609)	(466,256,114)	(29,505,038)	(17,818,870)
Impairment of assets	-	-	(5,528,835)	-	-
Net book amount	82,945,217	242,688,577	180,205,590	8,791,170	2,326,969
For the year ended					
December 31, 2008					
Opening net book amount	82,945,217	242,688,577	180,205,590	8,791,170	2,326,969
Add Acquisition	-	1,279	5,206,243	12,982,853	1,122,511
Transfer in (out)	-	5,808,590	17,297,655	-	-
Transfer to non-operating assets	-	-	(5,741,997)	-	-
Less Disposals	-	-	(7,132)	(6)	(12)
Depreciation charge	-	(23,419,239)	(41,163,276)	(5,011,707)	(1,142,539)
Closing net book amount	82,945,217	225,079,207	155,797,083	16,762,310	2,306,929
At December 31, 2008					
Cost	82,945,217	424,135,055	662,127,027	43,265,688	21,169,607
Less Accumulated depreciation	-	(199,055,848)	(500,801,109)	(26,503,378)	(18,862,678)
Impairment of assets	-	-	(5,528,835)	-	-
Net book amount	82,945,217	225,079,207	155,797,083	16,762,310	2,306,929
Cost					
Less Accumulated depreciation					
Impairment of assets					
Net book amount					

Net book value of land and structures thereon and portion of machineries amounted to Baht 151.7 million (2007: Baht 162.3 million) were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions in Note 16 to the financial statements.

As at December 31, 2008 and 2007, the Company has fully depreciated equipment which are still in use to approximately Baht 368.2 million and Baht 376.9 million, respectively.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**13. NON OPERATING ASSET - NET**

	In Baht	
	Consolidated and	Separate
	financial statements	
	2008	2007
Land	16,107,988	13,437,988
Machineries and equipment	5,741,997	-
Total	21,849,985	13,437,988
Less : Allowance for impairment	(3,445,198)	-
Net	18,404,787	13,437,988

Non operating land of the Company amounting of Baht 16.1 million (2007: Baht 13.4 million) was prepared for the plant expansion in the future.

**14. SOFTWARE – NET**

	In Baht
	Consolidated and Separate financial statements
For the year ended December 31, 2008	
Opening net book value	858,584
<u>Less</u> Amortization during the year	(338,162)
Ending net book value	520,422
As at December 31, 2008	
Cost	1,690,810
<u>Less</u> Accumulative amortization	(1,170,388)
Net book value	520,422

**15. FIXED DEPOSITS PLEDGED AS COLLATERAL**

As at December 31, 2008 and 2007, the subsidiary has fixed deposit amounted to Baht 14.2 million and Baht 10.4 million, respectively which pledged as collateral against credit line from a local financial institution.

**16. BANK OVERDRAFTS**

As at December 31, 2008 and 2007, the Company has the overdrafts and short-term loans lines amounted to Baht 540.0 million and Baht 443.6 million, respectively. The facilities charge an interest at the rate of MOR per annum. Such overdrafts and short-term loans lines are secured over a part of the land and structures thereon and machineries of the company (Note 12).



**17. SHARE CAPITAL**

- According to the resolution of the shareholders' meeting No.1/2007 held on April 23, 2007 the shareholders had the resolution as follows :
  - To approved the capital decreasing of the Company's authorized share capital from Baht 315,000,000 (315,000,000 of common shares with a par value of Baht 1 per share) to Baht 314,997,360 (314,997,360 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on May 1, 2007.
  - To approved the capital increasing amount to Baht 31,499,736 of the Company's authorized share capital from Baht 314,997,360 (314,997,360 of common shares with a par value of Baht 1 per share) to Baht 346,497,096 (346,497,096 of common shares with a par value of Baht 1 per share) The Company registered with the Ministry of Commerce on May 2, 2007.
- On May 23, 2007, the Company paid stock dividends to the existing shareholders at the ratio of 10 existing common shares to 1 new common shares (rounding off fraction) totaling 31,499,232 shares at the rate Baht 0.10 per share with a par value of Baht 1 per share amount to Baht 31,499,232. The paid up share capital increased to Baht 346,496,592 (346,496,592 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on May 23, 2007

**18. DIVIDENDS PAID**

At the ordinary shareholders' meeting No.1/2008 held on April 30, 2008 the shareholders had the resolution to approve the payment of cash dividends from net income for the year 2005-2007 under the Board of Investment Promotional Certificate No.1465/2542 to the shareholders for 346,496,592 shares, at Baht 0.30 per share amounted to Baht 103,947,478. The Company paid such dividends on May 30, 2008.

At the Ordinary Shareholders' Meeting No. 1/2007 held on April 23, 2007, the shareholders had the resolution to approve the payment of Dividends from net income for the year 2006 under the Board of Investment Promotional Certificate No. 1465/2542 to the shareholders for 314,997,360 shares, at Baht 0.25 per share amounted to Baht 78,749,344. Such dividends paid on May 23, 2007.

**19. LEGAL RESERVE**

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**20. EXPENSES BY NATURE**

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
Changes in finished goods and semi – finished products	23,577,794	(47,056,761)	23,577,794	(47,056,761)
Purchase of finished goods – net	3,464,568	484,034	-	-
Raw materials and consumable used	543,007,670	494,188,215	543,007,670	494,188,215
Fuel used	31,141,755	22,732,273	31,079,370	22,672,700
Repairs expenditure	26,089,324	28,750,769	26,089,324	28,750,769
Depreciation	71,045,558	70,431,643	70,736,759	70,023,159
Staff costs	170,845,863	151,317,194	169,425,023	150,081,394
Managements' remuneration	36,672,421	35,412,378	34,221,371	33,119,378
Transport and distribution	121,018,421	92,906,214	106,025,022	79,766,063
Commission	10,768,028	9,053,303	7,566,263	6,525,449
Utilities	79,295,215	78,310,661	79,217,591	78,234,942
Loss on impairment of assets	3,445,198	-	3,445,198	-
Other expenses	28,711,951	36,850,894	27,010,121	34,831,552
Total expenses	<u>1,149,083,766</u>	<u>973,380,817</u>	<u>1,121,401,506</u>	<u>951,136,860</u>

**21. PROMOTIONAL PRIVILEGES**

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

- 21.1 Under the Board of Investment Promotional Certificate No. 1727/2531, exemption from payment of income tax for 7 years starting from the commencement date of the promoted business on February 1, 1990 to February 1, 1997.
- 21.2 Under the Board of Investment Promotional Certificate No.1063/2536, exemption from payment of income tax for 6 years starting from the commencement date of the promoted business on November 1, 1994 to November 1, 2000.
- 21.3 Under the Board of Investment Promotional Certificate No.1397/2537, exemption from payment of income tax for 8 years starting from the commencement date of the promoted business on March 3,1996 to March 3,2004.
- 21.4 Under the Board of Investment Promotional Certificate No.1465/2542 , exception from payment of income tax for 8 years starting from the commencement date of the promoted business on November 1, 2001 to November 1,2009.
- 21.5 Under the Board of Investment Promotional Certificate No.1545(3)/2547, exception from payment of income tax for 8 years starting from the commencement date of the promoted business.



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

As a promoted industry, the company must comply with certain conditions and restrictions provided for the promotional certificate Results of the company's operations classified under promoted and non-promoted businesses for the year ended December 31, 2008 follow:

	In Baht		
	Promoted Business	Non-Promoted Business	Total
REVENUES			
Sales	1,239,854,382	16,660	1,239,871,042
Interest and other income	17,954,618	255,482	18,210,100
Total revenues	1,257,809,000	272,142	1,258,081,142
EXPENSES			
Cost of sales	923,105,642	421,838	923,527,480
Selling expenses	111,770,916	1,502	111,772,418
Administrative expenses	48,434,389	650	48,435,039
Loss on impairment of assets	-	3,445,198	3,445,198
Managements' remuneration	34,220,911	460	34,221,371
Total expenses	1,117,531,858	3,869,648	1,121,401,506
Income(Loss) before Finance costs	140,277,142	(3,597,506)	136,679,636
Finance costs	(48)	-	(48)
Net Income (Loss)	140,277,094	(3,597,506)	136,679,588

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

	In Baht		
	Promoted Business	Non-Promoted Business	Total
REVENUES			
Sales	1,030,554,307	2,468,312	1,033,022,619
Interest and other income	21,993,247	(451,234)	21,542,013
Total revenues	1,052,547,554	2,017,078	1,054,564,632
EXPENSES			
Cost of sales	778,111,149	3,710,264	781,821,413
Selling expenses	85,997,783	205,976	86,203,759
Administrative expenses	49,872,858	119,452	49,992,310
Managements' remuneration	33,040,242	79,136	33,119,378
Total expenses	947,022,032	4,114,828	951,136,860
Income(Loss) before Finance costs	105,525,522	(2,097,750)	103,427,772
Finance costs	(7,224)	(19)	(7,243)
Net Income (Loss)	105,518,298	(2,097,769)	103,420,529

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



**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

**22. SEGMENT INFORMATION**

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

The details of business segment information for the year ended December 31, 2008 are as follows:

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	1,271,454,465	4,115,416	1,275,569,881
Cost of sales	(923,105,642)	(3,886,406)	(926,992,048)
Gross profit	348,348,823	229,010	348,577,833
Selling expenses	(130,862,224)	(139,798)	(131,002,022)
Income from operating	217,486,599	89,212	217,575,811
Interest and other income			16,496,788
Central expenses			(87,644,498)
Loss on impairment of assets			(3,445,198)
Finance costs			(48)
Income tax			(676,611)
Net income			142,306,244
Property, plant and equipment by segment as at December 31, 2008	405,518,682	37,400,327	442,919,009
Property, plant and equipment which cannot be classified by segment			44,361,181
Other assets			782,874,462
Total assets			1,270,154,652

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

Consolidated financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	1,048,300,834	3,149,911	1,051,450,745
Cost of sales	(778,186,383)	(4,119,063)	(782,305,446)
Gross profit (loss)	270,114,451	(969,152)	269,145,299
Selling expenses	(102,803,583)	(316,482)	(103,120,065)
Income (loss) from operating	167,310,868	(652,670)	166,025,234
Interest and other income			21,857,624
Central expenses			(87,955,306)
Finance costs			(7,243)
Net income			99,920,309
Property, plant and equipment by segment as at December 31, 2007	448,236,844	39,406,701	487,643,545
Property, plant and equipment which cannot be classified by segment			38,647,591
Other assets			706,323,894
Total assets			1,232,615,030

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2008 AND 2007**

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

The details of business segment information for the year ended December 31, 2008 are as follows:

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	1,239,854,382	16,660	1,239,871,042
Cost of sales	(923,105,642)	(421,838)	(923,527,480)
Gross profit (loss)	316,748,740	(405,178)	316,343,562
Selling expenses	(111,770,916)	(1,502)	(111,772,418)
Income (loss) from operating	204,977,824	(406,680)	204,571,144
Interest and other income			18,210,100
Central expenses			(82,656,410)
Amortization of intangible assets			(3,445,198)
Finance costs			(48)
Net income			136,679,588
Property , plant and equipment by segment as at December 31, 2008	405,518,682	37,400,327	442,919,009
Property , plant and equipment which cannot be classified by segment			44,127,356
Other assets			771,238,142
Total assets			1,258,284,507

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

Separate financial statements

	In Baht		
	Frozen Products	Transmuted Products	Total
Sales	1,030,616,474	2,406,145	1,033,022,619
Cost of sales	(778,186,383)	(3,635,030)	(781,821,413)
Gross profit (loss)	252,430,091	(1,228,885)	251,201,206
Selling expenses	(86,002,971)	(200,788)	(86,203,759)
Income (loss) from operating	166,427,120	(1,028,097)	164,997,447
Interest and other income			21,542,013
Central expenses			(83,111,688)
Finance costs			(7,243)
Net income			103,420,529
Property , plant and equipment by segment as at December 31, 2007	448,236,844	39,406,701	487,643,545
Property , plant and equipment which cannot be classified by segment			38,115,937
Other assets			700,395,306
Total assets			1,226,154,788



### **23. PROVIDENT FUND**

The Company established a contributory registered provident fund in accordance with the Provident fund Act.B.E.2530 Under the provident fund, the Company contributes an amount equivalent to the employees' contribution, which is 3% of their basic salaries. The company appointed The Siam Commercial Bank Public Co., Ltd. as a fund manager to manage the fund in accordance with the Provident Fund Act (B.E. 2530), which was amended by the Provident Fund Act (No.2) (B.E. 2542), under supervision of the Office of the Securities and Exchange Commission.

The Company's contribution net of the refund amount for the year ended December 31, 2008 and 2007 amounted to Baht 1.5 million.

### **24. FINANCIAL INSTRUMENTS**

As at December 31, 2008 the Company and subsidiary have no policy to perform speculate or trade the financial instrument transaction derivatives.

#### **24.1 Credit risk**

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

- Trade accounts receivable, Due to the large number and diversity of the entities comprising the Group's customer base and confined credit policy adopted, the Company and subsidiary therefore does not anticipate material losses from its debt collection in excess of the allowance for doubtful accounts already set up in the accounts.
- Long-term loan to related company, the Company has managed credit risk by setting up appropriate credit limit and term which are granted, including personal and corporate guarantees as a means of mitigating the risk of financial loss from defaults. As at December 31, 2008 the Company has long-term loan to related company amounting of Baht. 24.5 million which is repayable within the year 2010 and is paid interest at the rate of 3.25 per annum by monthly. Such loan is guaranteed by Wonder Interfoods Co., Ltd., which is the major shareholders of such related company and Mr. Nirand Pholpipattanapong as the director of such related company. The Company's management believes that the Company can get all loan repayment from the above related company.

#### **24.2 Foreign Currency Risk and Risk Management**

The Company and subsidiary exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Company and subsidiary have policies to hedge such risks by using derivative financial instruments. As at December 31, 2008, the Company and subsidiary have outstanding forward foreign exchange selling contracts and option contracts of a total of U.S. Dollars 7.9 million in exchange of Baht 279.6 million with 2 commercial banks. The contract will be due in June 2009.

As at December 31, 2008, liabilities of the Company and subsidiary have accrued commission amounting of U.S.Dollars 73,840 which are not hedged.



### **24.3 Interest rate risk**

The Company and subsidiary were exposed to interest risks because it held deposits to financial institutions. However, such financial assets are month short-term, the Company and subsidiary believed that the future fluctuation on market interest rate would not provided significant effect to their operation and cash flow; therefore, no financial derivative was adopted to manage such risks.

### **24.4 Fair value of financial instruments**

The financial assets and liabilities include cash and cash equivalents, short-term investment, account receivable, overdue, account payable and borrowing .Their carried values approximate to their fair values.

## **25. COMMITMENT AND CONTINGENT LIABILITIES**

As at December 31, 2008

- 25.1 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.
- 25.2 The Company has commitment to pay the uncalled investments in Agrifood Processing Co.,Ltd. amounting to approximately Baht 90 million.
- 25.3 The Company has commitment for software license with a local company amounting of Baht 1.3 million
- 25.4 The Company has commitment for the installation of machine and equipment amounting of Baht 3.9 million.

## **26. RECLASSIFICATION**

Certain amounts in the financial statements for the year ended December 31, 2007 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

	In Baht			
	Consolidated financial statements		Separate financial statements	
	The reclassifications	The previously reported	The reclassifications	The previously reported
Administrative and selling expenses	-	185,715,371	-	163,955,447
Selling expenses	103,120,065	-	86,203,759	-
Administrative expenses	52,542,928	-	49,992,310	-
Managements' remuneration	35,412,378	5,360,000	33,119,378	5,360,000

## **27. APPROVAL OF FINANCIAL STATEMENTS**

These consolidated financial statements and separate financial statements have been approved by the board of directors of the Company on February 26, 2009.