

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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 address of its registered office are as follows :

Head Office is located at 149/34 floor 3rd – 4th Soi Anglo Plaza, Surawongse road, 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 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 convention except as disclosed in the accounting policies.

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. ADOPTION OF NEW ACCOUNTING STANDARDS

In June 2009, the Federation of Accounting Professions has issued Notification No. 12/2552, regarding the renumbering of Thai Accounting Standards to match the corresponding International Accounting Standards. Therefore the numbers of Thai Accounting Standards as used in these financial statements are corresponding to those per this notification.

The Federation of Accounting Professions has issued Notification No. 86/2551 and 16/2552, mandating the use of new accounting standards, financial reporting standard and accounting treatment guidance as follows.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

- a) Accounting standards, financial reporting standard and accounting treatment guidance which are effective for the current year.

Framework for Preparation and Presentation of Financial Statements (revised 2007)

TAS 36 (revised 2007)

Impairment of Assets

TFRS 5 (revised 2007)

Non-current Assets Held for Sale and

Discontinued Operations

Accounting Treatment Guidance for Leasehold right

Accounting Treatment Guidance for Business Combination under Common Control

These accounting standards, financial reporting standard and accounting treatment guidance became effective for the financial statements for fiscal years beginning on or after January 1, 2009. The management has assessed the effect of these standards and believes that TFRS 5 (revised 2007), Accounting Treatment Guidance for leasehold right and Accounting Treatment Guidance for Business Combination under Common Control are not relevant to the business of the Company, while Framework for Preparation and Presentation of Financial Statements (revised 2007) and TAS 36 (revised 2007), will not have any significant impact on the financial statements for the current year.

- b) Accounting standards which are not effective for the current year

		<u>Effective date</u>
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2012
TAS 24 (revised 2007)	Related Party Disclosures	January 1, 2011
TAS 40	Investment Property	January 1, 2011

The management of the Company is still evaluating the effect of these three accounting standards.

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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.

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:

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

4.6 Property, Plant and Equipment (CONTINUED)

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.

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.

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5. TRANSACTIONS WITH RELATED COMPANIES

5.1 Relationships and pricing policies

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

<u>Subsidiary :</u>	<u>Relationship</u>
Agrifood Processing Co., Ltd.	Shareholding and Directorship
<u>Related companies :</u>	
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

	<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
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, 2009 and 2008 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements	financial statements	financial statements	financial statements
	2009	2008	2009	2008
Trade accounts receivable				
Agrifood Processing Co., Ltd.	-	-	9,543,913	17,520,430
Itochu Corporation Co., Ltd.	5,031,350	9,002,795	3,065,855	7,330,073
P. P. Foods Supply Co., Ltd.	1,881,500	9,004,700	1,881,500	8,860,700
Ing shiang Co., Ltd.	1,134,487	4,790,400	1,134,487	4,790,400
Total	<u>8,047,337</u>	<u>22,797,895</u>	<u>15,625,755</u>	<u>38,501,603</u>
Accrued interest				
C&W Interfoods Co.,Ltd.	<u>67,627</u>	<u>132,708</u>	<u>67,627</u>	<u>132,708</u>
Long - term loans to				
C&W Interfoods Co.,Ltd.	<u>24,500,000</u>	<u>24,500,000</u>	<u>24,500,000</u>	<u>24,500,000</u>

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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.

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Accrued expenses				
Itochu Corporation Co., Ltd.	882,570	651,136	354,143	434,399
P. P. Foods Supply Co., Ltd.	379,771	945,489	379,771	945,489
Ing shiang Co., Ltd.	2,375,552	1,939,363	2,375,552	1,939,363
Agri World Co.,Ltd.	12,593	-	12,593	-
Total	<u>3,650,486</u>	<u>3,535,988</u>	<u>3,122,059</u>	<u>3,319,251</u>
Deposit				
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, 2009 and 2008 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Sales				
Agrifood Processing Co., Ltd.	-	-	220,817,731	212,790,327
C&W Interfoods Co.,Ltd.	-	1,600	-	-
Itochu Corporation Co., Ltd.	180,196,249	170,305,735	124,680,790	118,693,458
P.P. Foods Supply Co., Ltd.	11,481,500	9,959,700	11,118,500	9,548,700
Ing shiang Co., Ltd.	4,581,605	10,856,587	3,931,813	10,228,445
Total	<u>196,259,354</u>	<u>191,123,622</u>	<u>360,548,834</u>	<u>351,260,930</u>
Other income				
Agrifood Processing Co., Ltd.	-	-	620,400	620,400
C.T.Prospers Group Co.,Ltd.	90,000	90,000	90,000	90,000
Total	<u>90,000</u>	<u>90,000</u>	<u>710,400</u>	<u>710,400</u>
Interest revenue				
C&W Interfoods Co.,Ltd.	796,250	796,250	796,250	796,250
Commission Expenses				
Itochu Corporation Co., Ltd.	3,592,901	3,414,966	2,515,287	2,364,368
P.P. Foods Supply Co., Ltd.	1,090,751	2,055,755	1,090,751	2,055,755
Ing shiang Co., Ltd.	2,438,723	1,870,371	2,438,723	1,870,371
Total	<u>7,122,375</u>	<u>7,341,092</u>	<u>6,044,761</u>	<u>6,290,494</u>
Service expenses				
Agri World Co.,Ltd.	178,400	1,210,692	178,400	1,210,692

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6. CASH AND CASH EQUIVALENTS

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Cash on hand	125,153	116,343	115,153	106,343
Regular checking accounts	285,057	1,336,350	-	-
Saving accounts	262,065,602	107,749,668	242,355,352	90,383,262
Fixed deposits : Less than 3 months	5,521,965	5,440,729	-	-
Total	<u>267,997,777</u>	<u>114,643,090</u>	<u>242,470,505</u>	<u>90,489,605</u>

The weighted average effective interest rates of deposits at financial institutions were 0.5% – 0.75% per annum (2008: 0.25 % – 4.00 % per annum).

7. SHORT – TERM INVESTMENTS

Short - term investments are deposits at financial institution which are 8 month fixed deposits bear interest at the rate of 1.00% per annum (2008: 1.90% - 4.00% per annum).

8. TRADE ACCOUNTS RECEIVABLE – NET

The aging of outstanding balances as at December 31, 2009 and 2008 are as follows:

	In Baht			
	Consolidated		Separate	
	financial statements		financial statements	
	2009	2008	2009	2008
Accounts receivable – Related Companies				
Not yet due receivables	7,550,688	12,780,947	15,129,106	28,514,619
Over due with 1 month to 3 months	496,649	5,756,998	496,649	5,727,034
Over due with 4 months to 6 months	-	1,482,750	-	1,482,750
Over due with 7 months to 12 months	-	2,777,200	-	2,777,200
Total accounts receivable – Related Companies	<u>8,047,337</u>	<u>22,797,895</u>	<u>15,625,755</u>	<u>38,501,603</u>
Trade accounts receivable – Other Companies				
Not yet due receivables	28,854,127	51,639,847	22,413,926	39,672,616
Over due with 1 month to 3 months	7,359,864	6,228,505	6,795,864	6,228,505
Over due with 4 month to 6 months	-	3,130,719	-	3,130,719
Over due 12 months	2,751,014	2,751,014	2,751,014	2,751,014
Total accounts receivable – Other Companies	38,965,005	63,750,085	31,960,804	51,782,854
<u>Less</u> 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>36,213,991</u>	<u>60,999,071</u>	<u>29,209,790</u>	<u>49,031,840</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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9. INVENTORIES – NET

Consolidated financial statements and Separate financial statements

	In Baht					
	Cost		Allowance for diminution of inventories		Inventories - net	
	2009	2008	2009	2008	2009	2008
Finished goods and semi – finished products	352,489,131	294,365,295	(1,400,639)	(2,207,779)	351,088,492	292,157,516
Raw material and supplies	34,275,583	29,095,336	(776,947)	(427,723)	33,498,636	28,667,613
Seeds, insecticide fertilizer	17,077,032	32,455,814	(61,122)	(94,301)	17,015,910	32,361,513
Total	403,841,746	355,916,445	(2,238,708)	(2,729,803)	401,603,038	353,186,642

10. ACCOUNTS RECEIVABLE – PLANTERS – NET

	In Baht	
	Consolidated and Separate financial statements	
	2009	2008
Accounts receivable-planters	27,369,166	27,278,068
<u>Less Allowance for doubtful accounts</u>	<u>(697,457)</u>	<u>(711,521)</u>
Net	<u>26,671,709</u>	<u>26,566,547</u>

11. FIXED DEPOSITS PLEDGED AS COLLATERAL

As at December 31, 2009 and 2008, the subsidiary has fixed deposit amounted to Baht 14.4 million and Baht 14.2 million, respectively which pledged as collateral against credit line from a local financial institution.

12. INVESTMENTS IN SUBSIDIARY

As at December 31, 2009 and 2008.

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

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13. PROPERTY, PLANT AND EQUIPMENT - NET

CONSOLIDATED FINANCIAL STATEMENTS

	In Baht						Total
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
As at December 31, 2008							
Cost	89,252,940	415,885,199	662,120,527	44,240,440	22,261,414	4,155,619	1,237,916,139
<u>Less</u> Accumulated depreciation	(6,307,701)	(192,748,147)	(500,794,610)	(27,281,043)	(19,917,746)	-	(747,049,247)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
<u>Net book amount</u>	<u>82,945,239</u>	<u>223,137,052</u>	<u>155,797,082</u>	<u>16,959,397</u>	<u>2,343,668</u>	<u>4,155,619</u>	<u>485,338,057</u>
For the year ended							
December 31, 2009							
Opening net book amount	82,945,239	223,137,052	155,797,082	16,959,397	2,343,668	4,155,619	485,338,057
<u>Add</u> Acquisition	-	1,195,897	14,744,741	1,360,385	623,700	15,452,065	33,376,788
Transfer in (out)	-	4,065,707	3,161,581	-	535,920	(7,763,208)	-
Transfer to non-operating assets	-	-	(1,118,011)	-	-	-	(1,118,011)
<u>Less</u> Disposals	-	(43,274)	(704,722)	-	(1,631)	-	(749,627)
Depreciation	-	(24,036,687)	(38,031,959)	(5,336,772)	(986,198)	-	(68,391,616)
<u>Closing net book amount</u>	<u>82,945,239</u>	<u>204,318,695</u>	<u>133,848,712</u>	<u>12,983,010</u>	<u>2,515,459</u>	<u>11,844,476</u>	<u>448,455,591</u>
As at December 31, 2009							
Cost	89,252,940	420,573,503	660,085,578	45,600,825	22,481,434	11,844,476	1,249,838,756
<u>Less</u> Accumulated depreciation	(6,307,701)	(216,254,808)	(520,708,031)	(32,617,815)	(19,965,975)	-	(795,854,330)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
<u>Net book amount</u>	<u>82,945,239</u>	<u>204,318,695</u>	<u>133,848,712</u>	<u>12,983,010</u>	<u>2,515,459</u>	<u>11,844,476</u>	<u>448,455,591</u>

Net book value of land and structures thereon and portion of equipment amounted to Baht 142.6 million (2008: Baht 151.7 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, 2009 and 2008, the Company has fully depreciated equipment which are still in use to approximately Baht 406.0 million and Baht 369.2 million, respectively.

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13. PROPERTY, PLANT AND EQUIPMENT - NET (CONTINUED)

THE SEPARATE FINANCIAL STATEMENTS

	In Baht						Total
	Land and Improvement	Building and Improvement	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
At December 31, 2008							
Cost	89,252,940	415,885,199	662,120,527	43,265,688	21,176,107	4,155,619	1,235,856,080
Less Accumulated depreciation	(6,307,701)	(192,748,147)	(500,794,610)	(26,503,378)	(18,869,177)	-	(745,223,013)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	82,945,239	223,137,052	155,797,082	16,762,310	2,306,930	4,155,619	485,104,232
For the year ended							
December 31, 2009							
Opening net book amount	82,945,239	223,137,052	155,797,082	16,762,310	2,306,930	4,155,619	485,104,232
Add Acquisition	-	1,195,897	14,744,741	1,360,385	573,382	15,452,065	33,326,470
Transfer in (out)	-	4,065,707	3,161,581	-	535,920	(7,763,208)	-
Transfer to non-operating assets	-	-	(1,118,011)	-	-	-	(1,118,011)
Disposals	-	(43,274)	(704,723)	-	(1,630)	-	(749,627)
Depreciation	-	(24,036,687)	(38,031,959)	(5,141,822)	(965,651)	-	(68,176,119)
Closing net book amount	82,945,239	204,318,695	133,848,711	12,980,873	2,448,951	11,844,476	448,386,945
At December 31, 2009							
Cost	89,252,940	420,573,503	660,085,577	44,626,073	21,352,309	11,844,476	1,247,734,878
Less Accumulated depreciation	(6,307,701)	(216,254,808)	(520,708,031)	(31,645,200)	(18,903,358)	-	(793,819,098)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	82,945,239	204,318,695	133,848,711	12,980,873	2,448,951	11,844,476	448,386,945

Net book value of land and structures thereon and portion of machineries amounted to Baht 142.6 million (2008: Baht 151.7 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, 2009 and 2008, the Company has fully depreciated equipment which are still in use to approximately Baht 405.0 million and Baht 368.2 million, respectively.

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14. NON OPERATING ASSET - NET

	In Baht		
	Consolidated and Separate financial statements		
	Land	Machineries and equipment	Total
For the year ended December 31, 2009			
Opening net book value	18,050,121	2,296,799	20,346,920
Transfer in non-operating assets	-	1,118,011	1,118,011
<u>Less</u> Depreciation during the year	-	(388,773)	(388,773)
Ending net book value	<u>18,050,121</u>	<u>3,026,037</u>	<u>21,076,158</u>
As at December 31, 2009			
Cost	18,050,121	20,997,561	39,047,682
<u>Less</u> Accumulative depreciation	-	(14,526,326)	(14,526,326)
<u>Less</u> Allowance for impairment	-	(3,445,198)	(3,445,198)
Net book value	<u>18,050,121</u>	<u>3,026,037</u>	<u>21,076,158</u>

Non operating land of the Company amounting of Baht 18.1 million was prepared for the plant expansion in the future.

15. SOFTWARE – NET

	In Baht
	Consolidated and Separate financial statements
	statements
For the year ended December 31, 2009	
Opening net book value	520,422
<u>Less</u> Amortization during the year	(338,162)
Ending net book value	<u>182,260</u>
As at December 31, 2009	
Cost	1,690,810
<u>Less</u> Accumulative amortization	(1,508,550)
Net book value	<u>182,260</u>

16. BANK OVERDRAFTS AND SHORT-TERM LOANS

As at December 31, 2009 and 2008, the Company has the overdrafts and short-term loans lines amounted to Baht 420 million and Baht 540 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 as discussed in Note 13 to the financial statements.

17. SHARE CAPITAL

- According to the resolution of the shareholders' meeting No.1/2009 held on April 30, 2009 the shareholders had the resolution as follows :
 - To approved the capital decreasing of the Company's authorized share capital from Baht 346,497,096 (346,497,096 of common shares with a par value of Baht 1 per share) 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 12, 2009.
 - To approved the capital increasing amount to Baht 34,649,659 of the Company's authorized share capital from Baht 346,496,592 (346,496,592 of common shares with a par value of Baht 1 per share) to Baht 381,146,251 (381,146,251 of common shares with a par value of Baht 1 per share) The Company registered with the Ministry of Commerce on June 2, 2009.
- On May 29, 2009, 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 34,649,133 shares at the rate Baht 0.10 per share with a par value of Baht 1 per share amount to Baht 34,649,133. The paid up share capital increased to Baht 381,145,725 (381,145,725 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on June 2, 2009.

18. DIVIDENDS PAID

At the directors' meeting No.4/2009 held on August 13, 2009 the meeting approved the payment of interim dividends from net income for the period of January 1, 2009 to June 30, 2009 under the Board of Investment Promotional Certificate No. 1465/2542 to the shareholders for 381,145,725 on shares, at Baht 0.25 per share amounted to Baht 95,285,182. Such dividends paid on September 11, 2009. However, dividends of Baht 1,249 were not paid to certain shareholders due to disqualification.

At the shareholders' meeting No.1/2009 held on April 30, 2009 the shareholders had the resolution to approve the payment of cash dividends and stock dividends. To pay cash dividends from net income for the year 2007 - 2008 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 103,947,503 and to pay stock dividends from net income for the year 2007 - 2008 under the Board of Investment Promotional Certificate No.1465/2542 to the existing shareholders at the ratio of 10 existing common shares to 1 common shares (throw away fraction) at the rate Baht 0.10 per share amounted to 34,649,133 shares with a par value of Baht 1 per share amounted to Baht 34,649,133. The Company paid such dividends on May 29, 2009. However, dividends of Baht 1,475 were not paid to certain shareholders due to disqualification.

At the Ordinary Shareholders' Meeting No. 1/2008 held on April 30, 2008, the shareholders had the resolution to approve the payment of 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. Such dividends paid on May 30, 2008.

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, 2009 AND 2008

20. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The numbers of ordinary shares are adjusted by the stock dividends distributed during this quarter as mentioned in Note 18 to financial statements are incurred in the beginning.

Basic earnings per share for the year ended December 31, 2008 were recalculated for comparison purpose.

21. EXPENSES BY NATURE

Significant expenses by nature are as follows :

	In Baht			
	Consolidated financial statements		Separate financial statements	
	2009	2008	2009	2008
Changes in finished goods, semi – finished products and raw materials	(57,761,945)	22,657,087	(57,761,945)	22,657,087
Purchase of finished goods	221,844,481	216,251,087	-	-
Purchase raw materials	494,259,042	420,947,609	494,259,042	420,947,609
Depreciation and Amortization	69,118,551	71,383,722	68,903,054	71,074,923
Staff costs	179,824,941	170,845,863	178,250,352	169,425,023
Loss on impairment of assets	-	3,445,198	-	3,445,198

22. PROMOTIONAL PRIVILEGES

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

- 22.1 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.
- 22.2 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.
- 22.3 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.
- 22.4 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.
- 22.5 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, 2009 AND 2008

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, 2009 follow:

	In Baht		
	Promoted Business	Non-Promoted Business	Total
REVENUES			
Sales	1,292,694,731	1,371,312	1,294,066,043
Interest and other income	12,521,819	19,785	12,541,604
Total revenues	<u>1,305,216,550</u>	<u>1,391,097</u>	<u>1,306,607,647</u>
EXPENSES			
Cost of sales	910,323,858	2,041,834	912,365,692
Selling expenses	101,282,066	56,640	101,338,706
Administrative expenses	47,782,663	458,416	48,241,079
Managements' remuneration	37,568,347	39,853	37,608,200
Total expenses	<u>1,096,956,934</u>	<u>2,596,743</u>	<u>1,099,553,677</u>
Net Profit (Loss)	<u>208,259,616</u>	<u>(1,205,646)</u>	<u>207,053,970</u>

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	<u>1,257,809,000</u>	<u>272,142</u>	<u>1,258,081,142</u>
EXPENSES			
Cost of sales	923,105,642	421,838	923,527,480
Selling expenses	111,770,916	1,502	111,772,418
Administrative expenses	48,434,437	650	48,435,087
Loss on impairment of assets	-	3,445,198	3,445,198
Managements' remuneration	34,220,911	460	34,221,371
Total expenses	<u>1,117,531,906</u>	<u>3,869,648</u>	<u>1,121,401,554</u>
Net Profit (Loss)	<u>140,277,094</u>	<u>(3,597,506)</u>	<u>136,679,588</u>

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.

23. 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.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

Consolidated financial statements

	In Baht		
	For the year ended December 31, 2009		
	Frozen Products	Transmuted Products	Total
Sales	1,318,791,107	2,663,772	1,321,454,879
Cost of sales	(910,323,858)	(3,068,584)	(913,392,442)
Gross profit (loss)	408,467,249	(404,812)	408,062,437
Selling expenses	(118,808,843)	(213,352)	(119,022,195)
Profit (loss) from operating	289,658,406	(618,164)	289,040,242
Interest and other income			14,792,022
Central expenses			(90,734,332)
Profit before income tax			213,097,930
Income tax			(1,930,709)
Net profit			<u>211,167,221</u>
Property , plant and equipment by segment as at December 31, 2009	<u>366,635,264</u>	<u>39,921,383</u>	406,556,647
Property , plant and equipment which cannot be classified by segment			41,898,944
Other assets			857,026,091
Total assets			<u>1,305,481,682</u>

	In Baht		
	For the year ended December 31, 2008		
	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)
Profit from operating	217,486,599	89,212	217,575,811
Interest and other income			16,496,788
Central expenses			(87,644,546)
Loss on impairment of assets			(3,445,198)
Profit before income tax			142,982,855
Income Tax			(676,611)
Net profit			<u>142,306,244</u>
Property , plant and equipment by segment as at December 31, 2008	<u>403,576,549</u>	<u>37,400,327</u>	440,976,876
Property , plant and equipment which cannot be classified by segment			44,361,181
Other assets			784,816,595
Total assets			<u>1,270,154,652</u>

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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.

Separate financial statements

	In Baht		
	For the year ended December 31, 2009		
	Frozen Products	Transmuted Products	Total
Sales	1,292,694,731	1,371,312	1,294,066,043
Cost of sales	(910,323,858)	(2,041,834)	(912,365,692)
Gross profit (loss)	382,370,873	(670,522)	381,700,351
Selling expenses	(101,231,318)	(107,388)	(101,338,706)
Profit (loss) from operating	281,139,555	(777,910)	280,361,645
Interest and other income			12,541,604
Central expenses			(85,849,279)
Net profit			207,053,970
Property , plant and equipment by segment as at December 31, 2009	366,635,264	39,921,383	406,556,647
Property , plant and equipment which cannot be classified by segment			41,830,298
Other assets			840,978,338
Total assets			1,289,365,283

	In Baht		
	For the year ended December 31, 2008		
	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)
Profit (loss) from operating	204,977,824	(406,680)	204,571,144
Interest and other income			18,210,100
Central expenses			(82,656,458)
Loss on impairment of assets			(3,445,198)
Net profit			136,679,588
Property , plant and equipment by segment as at December 31, 2008	403,810,374	37,400,327	441,210,701
Property , plant and equipment which cannot be classified by segment			44,127,356
Other assets			772,946,450
Total assets			1,258,284,507

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009 AND 2008

24. 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, 2009 amounted to Baht 1.6 million (2008: Baht 1.5 million).

25. FINANCIAL INSTRUMENTS

As at December 31, 2009 the Company and subsidiary have no policy to perform speculate or trade the financial instrument transaction derivatives.

25.1 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, 2009 the Company has long-term loan to related company amounting of Baht. 24.5 million which is repayable within June 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.

25.2 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, 2009, the Company and subsidiary have outstanding forward foreign exchange selling contracts total of U.S. Dollars 7.3 million in exchange of Baht 243.1 million with 3 commercial banks. The contract will be due in June 2010. Per comparative between fair value and contract value, the loss amounting Baht 1.4 million is incurred.

As at December 31, 2009, liabilities of the Company and subsidiary have accrued commission amounting of U.S.Dollars 97,209 which are not hedged.

25.3 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.

25.4 Fair value of financial instruments

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

26. COMMITMENT AND CONTINGENT LIABILITIES

As at December 31, 2009

- 26.1 The Company has contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 8.9 million.
- 26.2 The Company has commitment to pay the uncalled investments in Agrifood Processing Co.,Ltd. amounting to approximately Baht 90 million.
- 26.3 The Company has commitment for software license with a local company amounting of Baht 1.3 million
- 26.4 The Company has commitment for the construction of building and the installation of machine and equipment amounting of Baht 4.37 million.

27. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

As at December 31, 2009 debt to equity ratio in the consolidated financial statements and separate financial statement is 0.08:1

28. 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 25, 2010.