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บริษัท เชียงใหม่ฟรอสเฟนฟู๊ดส์ จำกัด (มหาชน)

149/34 ซอยแองโกลพลาซ่า ถนนสุรวงศ์ แขวงสุริยวงศ์ เขตบางรัก กรุงเทพฯ 10500

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED.

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

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

24 February 2021

Subject: Notification of the Resolution of the Board of Directors Meeting No. 2/2021 regarding Additional Investment in Sino-Thai Freeze & Dry Company Limited (Revised)

To: The President
The Stock Exchange of Thailand

The Board of Directors Meeting of Chiangmai Frozen Foods Public Company Limited (the “**Company**” or “**CM**”) No. 2/2021, held on 24 February 2021, has passed significant resolutions, which can be summarized as follows:

Approved the Company to make additional investment in Sino-Thai Freeze & Dry Company Limited (“**STFD**”), a manufacturer, distributor, and exporter of fresh fruits, frozen fruits, and freeze-dried fruits and foods, which is the company that CM currently holds 15 percent of total issued and paid-up shares. CM will make additional investment in STFD of not exceeding Baht 120,202,323, with details as follows:

- (1) the purchase of no more than 20,232,250 existing ordinary shares in STFD from 10 existing shareholders of STFD, who are not the Company’s connected persons, at the purchase price of Baht 0.01 per share, with the total sum not exceeding Baht 202,323.

The purchase price of existing ordinary shares of STFD is less than its par value because STFD carries net operating losses for consecutive years, where STFD reports its retained loss as of 31 December 2019 of Baht 112.8 million, resulting in capital deficit of Baht 21.4 million. STFD’s core assets are 95 rais of land and factory and machineries for producing frozen and freeze-dried products in Ratchaburi province, with its main products being frozen durian and freeze-dried durian. At present, STFD is under-utilizing its production capacity due to its lack of working capital for raw materials procurement;

- (2) the subscription of 12,000,000 newly issued ordinary shares in STFD at the par value of Baht 10 per share, with the total sum not exceeding Baht 120,000,000; and
- (3) STFD will issue and offer not exceeding 12,463,240 new ordinary shares at the par value of Baht 10 per share to its related-party creditors who provide lending to STFD, proportionately to their loan balances which has an aggregate outstanding balance of Baht 124,632,392, (comprising of Baht 6,930,000 owed to CM equivalent to 693,000 newly issued shares, and Baht 117,702,392 owed to other 19 creditors equivalent to 11,770,240 newly issued shares). STFD shall use such proceeds to repay all those related-party loans according to its plan to restructure its capital to support future funding arrangement (Collectively, the “**Transaction**”).

The Company’s source of fund for the Transaction will be from its cash flows from operation and/or excess cash in the Company.



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Pre- and Post- Transaction Shareholding Structure

	Pre-Transaction Shareholding Structure		Buy/(Sell) existing shares (1)	Subscription of New Shares (2)	Shares offered to related party creditors (3)	Post-Transaction Shareholding Structure	
	Shares	%	Shares	Shares	Shares	Shares	%
- CM	4,500,000	15.0%	20,232,250	12,000,000	693,000	37,425,250	68.7%
- Existing shareholders ^{/1}	25,500,000	85.0%	(20,232,250)		6,651,098	11,918,848	21.9%
- Related party creditors	-	0.0%			5,119,142	5,119,142	9.4%
Total	30,000,000	100.0%	-	12,000,000	12,463,240	54,463,240	100.0%

/1 some shareholders are also creditors of STFD

Upon completion of the Transaction, which is expected to be done by the end of Quarter 1/2021, the Company will hold a total of 68.7 percent of shares in STFD after new share issuances for purpose of fund raising and capital restructuring. The Company will then become STFD's new major shareholder and will appoint directors to be representatives to the Board proportionately to its shareholding in STFD. STFD will utilize additional fund from capital increase as working capital, and the Company will leverage its technical knowledge regarding frozen products to STFD in order to improve production efficiency and maximize the use of STFD core assets, so that the Company will benefit from increasing revenue and net profits of STFD. Furthermore, additional investment in STFD allows the Company to extend its core business, that is, the Company will receive more revenue from exporting frozen and freeze-dried fruits, on top of its sale revenue from frozen vegetables. Investment in STFD also provides the Company an opportunity to tap into STFD existing customer bases, which will provide benefits for the Company and its shareholders in long-term.

Additional investment in STFD has the maximum transaction size of 8.38 percent, calculated based on the value of total consideration basis, by comparing total investment value of Baht 120,202,323 plus capital increase by CM under capital restructuring scheme of STFD of Baht 6,930,000, totaling Baht 127,132,323, with the Company's total assets of Baht 1,517,643,727 according the Company's consolidated financial statements as of 31 December 2020. The Company has no other acquisition transaction during the previous 6 months. The transaction size is less than 15 percent, thus, the Transaction is not considered a material acquisition transaction according to the Notification of the Capital Market Supervisory Board No. Tor Jor 20/ 2551 Re: Rules on Entering into Material Transaction Deemed as Acquisition or Disposal of Assets and Exchange Commission Re: Disclosure of Information and Other Acts of Listed Company Concerning the Connected Transactions, B. E. 2547 (as amended) (collectively referred to as "**Acquisition/Disposition Notification**")

Moreover, the Transaction is not a connected transaction pursuant to the Notification of the Capital Market Supervisory Board no. TorJor 21/2551 Re: Rules on Connected Transaction and the Notification of the Office of the Securities and Exchange Commission Re: Disclosure of Information and Other Acts of Listed Company Concerning the Connected Transactions, B.E. 2546 (as amended) ("**Connected Transaction Notification**") since the 10 sellers of existing shares of STFD are not the Company's connected persons. The Company is, therefore, not required to disclose the Transaction Information to the SET or seek prior approval from the Shareholders Meeting.



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The Board of Directors has considered the rationale of the Transaction, benefits reaped by the Company, and the rate of return on such investment, and of the opinion that the addition investment in STFD of Baht 120,202,323, which comprises of the purchase of 20,232,250 existing shares at Baht 0.01 per share and 12,000,000 new shares at Bath 10 per share, equivalent to average purchase price of Baht 3.73 per share, deems to be appropriate as the investment in STFD provides the Company with positive Net Present Value (NPV) and greater return compared to the Company's cost of equity. The Transaction is considered viable. The Board of Directors, therefore, approved the Company to enter the Transaction and authorized the managing director or the persons assigned by the managing director to contact, negotiate, enter, or sign any contracts or agreements necessary for or pertaining to the Transaction.

Please be informed accordingly

Yours Faithfully

Signed

Ankoon Pholpipattanaphong
Managing Director