



Seafresh^{Industry}

Public Company Limited

บริษัท ซีเฟรชอินดัสตรี จำกัด (มหาชน)

Annual Report 2009

รายงานประจำปี 2552





CONTENTS

| | |
|--|-----------|
| Message from Chairman | 1 |
| Financial Statement | 2 |
| Board of Directors | 3 |
| General Information | 5 |
| Business Operation Overview | 6 |
| An Overview of Industry and Competition | 7 |
| Risk Factor | 8 |
| Major Shareholder and Management | 9 |
| The Principles Of Good Corporate Governance | 12 |
| Inter - Transaction | 22 |
| Management Discussion and Analysis | 23 |
| Statement of the Responsibility of Board of Directors to Financial Report | 29 |
| Audit Committee Report | 30 |
| Report of Independent Auditor | 33 |

MESSAGE FROM CHAIRMAN

DEAR SHAREHOLDERS,

The severe impact that the global economic crisis 2009 had on numerous industries had caused an unfortunate contraction on Thailand's overall export value. Frozen shrimp export from Thailand on the other hand continues to grow in the positive direction because of food safety concern of products from China, shrimp disease and flood in key shrimp producing countries, and also an increase in Thailand domestic shrimp production.

Above favorable factors in combined with management realignment and production cost improvement have resulted in a 23% sales revenue increase in 2009 as compared to 2008. A remarkably 134 million baht increase in net profit to 183 million baht is company's record high within the past 8 years. Company holds 1,432 billion baht in total asset along with strong financial status, high liquidity, and exceptionally low interest bearing debt.

In 2010, company expects a continuous growth in Thailand's shrimp export sector as a result of global economic recovery, possibility of US anti-dumping duty rescind, and the effective of Free Trade Agreement with South Korea.

There are some factors that need to be closely monitored however. Those are fragile global economy, baht currency volatility, increase in inflation rate, and overall shrimp supply output. As a precaution, company has already devised its preparedness plan to handle these uncertainties.

We would like to thank all shareholders, customers, partners, and employees for continuous support and trust. In order for us to pursue a sustainable growth, it is our commitment to produce safe and quality product, to broaden our employee capability, to improve administrative and management system, to promote ethical practice under good corporate governance, and to embrace social responsibility.



Yours sincerely,
(Narit Chia-Apar)
Chairman

FINANCIAL STATEMENT

CONSOLIDATED FINANCIAL STATEMENT

(Unit : Thousand Baht)

| Financial Statement | 2007 | 2008 | 2009 |
|---|-----------|-----------|-----------|
| Total assets | 1,480,866 | 1,449,171 | 1,431,698 |
| Total liabilities | 148,295 | 139,463 | 45,284 |
| Total shareholders' equity | 1,332,571 | 1,309,707 | 1,386,414 |
| Sales | 2,034,245 | 1,759,644 | 2,164,511 |
| Total revenues | 2,052,849 | 1,786,636 | 2,186,586 |
| Gross profit | 244,223 | 207,266 | 379,185 |
| Net profit | 14,462 | 49,421 | 183,150 |
| Allowance of diminution in value of inventories | 203,889 | 153,841 | 129,630 |

| Financial Ratio | 2007 | 2008 | 2009 |
|---|---------|---------|---------|
| Net profit per total revenues ratio (%) | 0.70 | 2.77 | 8.38 |
| Return on equity ratio (%) | 1.06 | 3.74 | 13.59 |
| Return on total assets ratio (%) | 0.95 | 3.37 | 12.71 |
| Value per share (Baht) | 1.00 | 1.00 | 1.00 |
| Earning per share (Baht) | 0.03 | 0.12 | 0.43 |
| Dividend per share (Baht) | 0.16 | 0.25 | 0.41 |
| Book value (Baht) | 3.11 | 3.06 | 3.26 |
| Net assets per share (Baht) | 3.11 | 3.06 | 3.26 |
| Weighted average number of ordinary shares (Million share) | 428.975 | 428.450 | 425.795 |

BOARD OF DIRECTORS

Mr. Narit Chia-Apar

| | |
|-------------------------|-------------------------------------|
| Position | Chairman of the Board and President |
| Education | College, Malaysia |
| Professional experience | |
| 1982 – present, | Seafresh Industry Public Co.,Ltd. |

Mr. Narongrit Chiarawongvanit

| | |
|-------------------------|--|
| Position | Senior Vice President Resources and Production |
| Education | College, Malaysia |
| Professional experience | |
| 1982 – present, | Seafresh Industry Public Co.,Ltd. |

Mrs. Tassanee Youngmeevidhya

| | |
|-------------------------|---|
| Position | Director and Senior Vice President – Administration and Finance |
| Education | B.S (Economics) |
| Professional experience | |
| 1982 – present, | Seafresh Industry Public Co.,Ltd. |

Mrs. Supanee Punnasri

| | |
|-------------------------|---|
| Position | Independent Director |
| Education | Bachelor of Medical Science (Certificate of Medical) |
| Professional experience | |
| 1999 – present, | Director : E.B. International Co.,Ltd. |
| 1984 – 1992, | Medical Doctor : Samui, Chaingrai, Chulalongkorn Hospital |

Dr. Kamales Santivejkul

| | |
|-------------------------|---|
| Position | Independent Director and Chairman of Audit Committee |
| Education | Ph.D (Business Admin.) Oklahoma State University, USA |
| Professional experience | |
| 2008 – present, | Associate Professor Department of Banking and Finance, Faculty of Commerce and Accountancy, Chulalongkorn University |
| 2004 – 2008, | Deputy Dean & CIO, Chulalongkorn University |
| 1988 – 2007, | Assistant Professor Department of Banking and Finance, Faculty of Commerce and Accountancy, Chulalongkorn University |
| 1995 – 2003, | Director : Centers of Academic Resources, Chulalongkorn University |
| 1997 – 2000, | Director : Office of Information Technology, Chulalongkorn University |
| 1986 – 2004, | Director : Computer center, Faculty of Commerce and Accountancy, Chulalongkorn University |

Dr. Sorachai Bhisalbutra

| | |
|-------------------------|--|
| Position | Independent Director and Member of Audit Committee |
| Education | Ph.D (Statistics) Oklahoma State University, USA |
| Professional experience | |
| Present, | Advisor to the Vice President for Research and Academic Services, Dhurakijbundit University |
| 1999 - 2005, | Deputy Dean-Research & development Department, Dhurakijbundit University |
| 1991 - 1998, | Director of research center and business administration, Faculty of Commerce and Accountancy, Chulalongkorn University |
| 1991 - 1998, | Assistant Dean of research section, faculty of Commerce and Accountancy, Chulalongkorn University |

Dr.Worapong Leewattanakit

| | |
|-------------------------|---|
| Position | Independent Director and Member of Audit Committee |
| Education | Ph.D (Computer Science), Vienna University of Technology |
| Professional experience | |
| 1996 - Present, | Instructor - Faculty of Commerce and Accountancy, Chulalongkorn University |
| 2005 - 2008, | Director of Office of Internation Technology, Chulalongkorn University |

Miss. Nantawan Suwanprasit

| | |
|-------------------------|--|
| Position | The Company's Secretary |
| Education | B.A (Accounting) Ramkhamhaeng University |
| Professional experience | |
| 1987 - present, | Seafresh Industry Public Co.,Ltd. |

The director who authorized to sign along with the company's stamp on behalf of the company is Mr. Narit Chia-Apar, the Chairman of the board, or two Directors Mr. Narongrit Chiarawongvanit and Mrs. Tassanee Youngmeevidhya.

GENERAL INFORMATION

| | |
|----------------------------------|---|
| Name of company | SEAFRESH INDUSTRY PUBLIC COMPANY LIMITED (Register No.0107537000751) |
| Head Office & Factory | 402 Moo 8, Chumphon-Paknam Road., Paknam, Muang, Chumphon 86120, Thailand Telephone (077) 521321-3, Telefax (077) 521007 |
| Branch Office | 152/25 Chartered Square Bldg., 31st floor, North Sathon Road, Silom, Bangrak, Bangkok 10500, Thailand Telephone 66-2-6378888 Telefax 66-2-6378801 |
| Home Page | www.seafresh.com |
| E-mail | seafresh@seafresh.com |
| Type of business | Frozen shrimp producer and distributor |
| Issued and paid-up share capital | 428,975,000 shares of common stock, Par value per share : 1 Baht |

SUBSIDIARY/ASSOCIATED COMPANIES

| | |
|----------------------------------|---|
| Name of company | SEAFRESH KATOKICHI COMPANY LIMITED |
| Office address | 152/25 Chartered Square Bldg., 31st floor, North Sathon Road, Silom, Bangrak, Bangkok 10500, Thailand Telephone 66-2-6378898 Telefax 66-2-6378801 |
| Type of business | Frozen food producer and distributor (Still no business activity) |
| Issued and paid-up share capital | 100,000 shares of common stock, Par value per share : 100 baht (paid-up capital 25%) |
| Name of company | SEAFRESH CHITOSAN (LAB) COMPANY LIMITED |
| Factory address | 402/2 Moo 8, Chumphon-Paknam Road., Paknam, Muang, Chumphon 86120, Thailand Telephone (077) 521322 Telefax (077) 521007 |
| Branch Office | 152/25 Chartered Square Bldg.,31st floor, North Sathon Road, Silom, Bangrak, Bangkok 10500, Thailand Telephone 66-2-6378888 Telefax 66-2-6378801 |
| Type of business | Chitin/Chitosan producer and distributor |
| Issued and paid-up share capital | 14,000,000 shares of common stock, Par value per share : 10 baht |

REFERENCES

| | |
|----------------|---|
| SHARE REGISTER | THAILAND SECURITIES DEPOSITARY COMPANY LIMITED |
| Address | 62 The Stock Exchange of Thailand Bldg., Ratchadapisek Road, Klongteo, Bangkok 10110, Thailand Telephone 66-2-2292800 Telefax 66-2-3591259 |
| AUDITOR | ERNST & YOUNG OFFICE LIMITED |
| Address | 33rd Floor, Lake Rajada Office Complex 193/136-137 New Rajadapisek Road, Klongtoey, Bangkok 10110, Thailand Telephone 66-2-2640777, 66-2-6619190 Telefax 66-2-2640789 - 90 |

BUSINESS OPERATION OVERVIEW

The Company manufactures and distributes frozen shrimp/prawn including cooked shrimp, raw shrimp, breaded shrimp, and Sushi. Seafresh has exported the majority of products under its own brands (Seafresh, Sea Angell, Phoenix ,Thai Chia, Go-Go) with the remainder under customers' brands.

The products from Seafresh Chitosan (Lab) include the manufacturing of Chitin and Chitosan, which are natural polymers that help in food preservation, providing immunity to plants, animal growth, trapping excessive fat in humans, increasing the healing rate of wounds, prevention of scars, and maintaining skin and hair moisture. Customer groups in Thailand include the agricultural and animal industry, research institutions, and foreign customer groups, such as food, drugs, and cosmetics industries, etc.

| PRODUCT | Year 2008 | | Year 2009 | |
|---------------|--------------|-----|--------------|-----|
| | Million Baht | % | Million Baht | % |
| FROZEN SHRIMP | 1,738 | 100 | 2,152 | 100 |

Note : The Revenue Structure of Subsidiary and other associated Companies is not a significant part of the Company's operation.

CHANGES IN THE PREVIOUS YEAR

- None -

AN OVERVIEW OF INDUSTRY AND COMPETITION

The US economic crisis since 2008 still had a continuous adverse impact on global economy in 2009. Not only US consumers who were more cautious about their spending, those in other regions such as Europe, Asia, etc. also followed the similar trait as well.

Thai exporters also suffered from price competitiveness disadvantage because of the strong baht currency. Thai shrimp export sector, however, had benefited from abundant domestic supply output while Indonesia faced up to 30-40% supply devastation due to shrimp disease epidemic.

Company's export in 2009

Japan market:

Export increased from 2008. Consumers had a continuous confidence towards Thai product quality after experiencing quality problems from Chinese product.

European market:

An extraordinary expansion success. European market had an enormous demand for frozen shrimp product. Company used its strength in full traceability system as a key strategy to penetrate both wholesale and retail markets.

South Korean market:

Another valuable market where Thai frozen shrimp had been well accepted. It is highly anticipated in 2010 that the effective of Thai-Korea Free Trade Agreement (FTA) will greatly benefit company's export volume and market regain.

USA market:

A slight export increase from 2008. Thailand was still the largest frozen shrimp exporter to the US with a 4.4% increase in volume from the previous year. Average US domestic price in 2009 however had hit the lowest level within the past four years due partly to the prolong recession. Anti dumping duty is still a continuing hurdle to shrimp trading with this market.

RISK FACTOR

RISK FACTOR FROM THE FLUCTUATION OF THE COST AND QUANTITY OF RAW MATERIALS

Shrimps are the main raw materials of the company. The quantity and cost of shrimp can be fluctuated from many risk factors such as season, weather, diseases, natural disasters, or the decreasing number of shrimp farmers. These factors may affect the business of our company. Therefore, the company has the policy in which raw materials are stored in a surplus to be kept for later use at the right time, right cost, and right quantity and the company has a cold room to store enough raw materials. Due to the company's policy of direct purchase of raw materials from farmers as well as long-term relationships with them, the company has no problem of raw materials shortage. In addition, the company has sent in specialists to train and give knowledge to the farmers, making sure that the company receives only high-quality shrimps to meet with the demands of our customers. Therefore, nowadays, our company has enough raw materials for manufacturing. In addition, the company has made contract farming with some farmers to ensure that the company has sufficient quality raw material for production as per requirement.

RISK FACTOR FROM CURRENCY EXCHANGE

The company's exports depend heavily upon the foreign currencies, mostly in US dollar. The fluctuation of foreign currency makes a significant impact both upon cost of production and revenue. The volatility to currency fluctuation is a major business risk the company realizes, and thus signing forward contracts is a key measure for preventing the company from this particular risk. In addition, the company obtains updated information for analysis and forecast the currency trend from time to time. These measures underpin the effective pricing strategy of the company.

RISK FACTOR FROM TRADE BARRIERS

As worldwide exports are the key business of the company, it is inevitable of facing a strong protectionism in the form of both tariff and non-tariff trade barriers such as Anti-dumping (AD) and the continuous bond by the United States, global standard and regulations concerning food safety which impinge upon the company's business operations. The company pays close attention to as well as acutely scrutinizes trade regulations imposed by many importing countries. This ensures that the company will have more effective response to it, and thereby will be at minimal risk.

The company has been strongly committed to continual development of the quality standard, and certified HACCP (Hazard Analysis Critical Control Point), GMP, BRC Global Standard, ISO9001:2000, ISO/IEC 17025:2005 by Bureau of Laboratory Quality Standards, Ministry of Public Health, and recently ACC-BAP by Aquaculture Certification Council (ACC) which is widely required by US retailers. Additionally, being certified by several global standards encourages the company in diversifying its importing markets which lessen business risk consequently.

RISK FACTOR FROM COMPETITION OF PRODUCT AND MARKETING

By far the company's products are mainly based upon shrimp, there are some different measures in reducing risks in product and marketing competition. Firstly, the company aims at meeting customers' expectation by emphasizing upon its capabilities in research and development for differentiation of products, particularly in the value-added products category. Secondly, business process improvement programs were conducted for cost improvement. Thirdly, the company's quality assurance that provides its customers with full traceability systems and environmentally-friendly processes. Lastly, the company focuses upon maintaining its incumbency in markets with high potential of purchase such as Japan, Australia, South Korea, USA, and Europe by retaining good relationship with existing customers in the markets.

RISK FACTOR FROM THE OFFER OF WARRANTS

In the case that the price of the company's common share is lower than the rights to use the shares on the share maturity date, the company has a risk of not receiving the increase of capital as planned from the rights of transferring the common shares from warrant holders.

RISK FACTOR FROM MANAGEMENT

The 70.75% paid stock of the company consists of the Chia-apar group and other related shareholders, enabling us to control the majority of the meeting resolutions except for those concerning laws that require a 3/4 vote of the shareholders' meeting. Therefore, other shareholders may not be able to gather enough votes to triumph over the proposed matters by major shareholders. However, in considering the decision-making of significant matters, it is required by the company to comply with the approval of the board of directors. This is especially required for the independent directors, which makes up more than 1/3 of the board of directors, since they play an important role in expressing useful comments that are beneficial to small shareholders. Thus, they are free from major shareholders, which results in a good balance.

MAJOR SHAREHOLDERS**Major Shareholders (As of March 16, 2009)**

| <u>Shareholders</u> | <u>Stock amount</u> | <u>%</u> |
|---|---------------------|----------|
| 1. Chia-Apar Group | 195,990,000 | 45.69 |
| 2. Mrs. Tassanee Youngmeevithya | 105,000,000 | 24.48 |
| 3. Mr. Narongrit Chiarawongvanich | 2,488,000 | 0.58 |
| 4. Thai N.V.D.R. Co.,Ltd. | 4,972,900 | 1.16 |
| 5. Mrs. Somsong Jirapattanakul | 3,660,000 | 0.85 |
| 6. Mr. Kritsanapan Supanrode | 3,333,000 | 0.78 |
| 7. Seafresh Industry Public Company Limited | 3,180,000 | 0.74 |
| 8. Mrs. Kantasiri Pattaralaoha | 3,148,500 | 0.73 |
| 9. Mr. Piyavit Vipusiri | 3,000,000 | 0.70 |
| 10. Mrs. Sui Hiang Sae Low | 2,103,000 | 0.49 |

Remarks : Chia-Apar Group consists:

1. Mr. Narit Chia-Apar
2. Mr. Chintat Chia-Apar
3. Miss. Chankate Chia-Apar

: Related persons consists:

1. Mrs. Tassanee Youngmeevithya
2. Mr. Narongrit Chiarawongvanich

Note : Interested investors may visit our website : www.seafresh.com/investor for updated major shareholders information before the annual shareholders ordinary meeting.

MANAGEMENT

The structure of company directors comprises of three committees; The Board of Directors committee, the Administration committee, and the Audit committee. Following are the responsibility of each committee.

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS COMMITTEE

1. Set up core policy for business practice and operative direction of the company.
2. Approval consideration of annual investment budget.
3. Approval consideration of loan and lending to subsidiary and joint venture.
4. In considering approval of related transaction, a majority vote of no less than 3/4 from the whole board of directors is required in accordance with the regulations of the Stock Exchange of Thailand concerning the related transactions of registered companies.
5. Approval consideration of ad hoc dividend payment.
6. Manage company's operation in accordance to its objective, regulation, and shareholders' vote with honesty, sincerity, and carefully and to protect the company's interest.

RATIO OF DIRECTORS WHO REPRESENT SHAREHOLDERS

- None -

The board of directors has the authority to appoint the authorized directors to sign along with the company's stamp on behalf of the company.

In the case that the board of directors has authorized others to manage the business routine on their behalf, such authorization must be in accordance with the meeting resolutions. Such authorization must consist of clear limitations on roles and responsibilities and the authorized persons are not able to approve items that are in conflict of interest between themselves and the company or other associated companies.

THE RESPONSIBILITY OF ADMINISTRATION COMMITTEE

1. To determine general Company's policy in order to coordinate with the Board of Directors.
2. To manage Company's internal operations and to determine the general Company's management system.
3. To determine the structure of the Company's Administration to coordinate with the Board of Directors.
4. To plan and set general Company's project.
5. To direct, coordinate, follow up the operation, and assign; affiliated unit, position, responsibilities, and delegate authority, in consideration of appropriate and efficiency.
6. To determine objective in order to properly manage with high efficiency and according to the Company's policy.

THE RESPONSIBILITY OF THE AUDIT COMMITTEE

1. To review the company's financial reporting process to ensure that it is accurate and adequate.
2. To review the company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit.
3. To review the company's practice to be in compliance with the securities laws and regulations of the Stock Exchange of Thailand and the laws relating to the company's business.
4. To consider and nominate an independent person to be the company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year.
5. To review the connected transactions, or the transactions that may lead to conflicts of interests, to ensure that they are in compliance with the laws and regulations of the Stock Exchange of Thailand, are reasonable and for the highest benefit of the company.
6. To prepare, and to disclose in the company's annual report, Audit Committee's report which must be signed by the Audit Committee's Chairman and to be consisted of at least the following information:
 - 6.1 An opinion on the accuracy, completeness and creditability of the company's financial report
 - 6.2 An opinion on the adequacy of the company's internal control system,
 - 6.3 An opinion on the compliance with the securities laws and regulations of the Stock Exchange of Thailand and the laws relating to the company's business.
 - 6.4 An opinion on the suitability of an Auditor,
 - 6.5 An opinion on the transactions that may lead to conflicts of interests,
 - 6.6 The number of the Audit Committee Meetings, and the attendance of such meetings by each committee member,
 - 6.7 An opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter, and
 - 6.8 Other transactions which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by the Company's Board of Directors.
7. To perform any other acts as assigned by the Company's Board of Directors, with the approval of the Audit Committee.

DIRECTOR AND EXECUTIVE RECRUITING

The selection of persons to be appointed as company's directors will not be done through the nominating committee process. The board of director committee will select well qualified persons equipped with fine experiences which are useful to the company and without qualifications that are leagally forbidden. The selected individuals will then be proposed to the shareholder's meeting for approval according to the following criteria and procesures:

1. Each shareholder has the same number of voting right as the number of share held.
2. Each shareholder can exercise all of its voting right as described one (1) in order to elect an individual or a group as the company director but it can not split the voting right unequally among individuals.

-
3. The person received the highest voting respectively would elected to be Director equal to the number of director required. In the case that the vote is the same for two or more people, the Chairman will make decision.
 4. At each annual Ordinary meeting, the Director stays in the position the longest will be released in the ratio of 1:3. However, The Director who released from the position may be reelected.
 5. Beside the retirement according to the term, the director may out of the position when:
 - 5.1 Died
 - 5.2 Resign
 - 5.3 Not qualify according to the article 68 of Public Company Act 1992
 - 5.4 The shareholder meeting can remove any directors before end of term with the vote not less than three fourth of the shareholder present at the meeting and the required total share of the vote should not be less than 50% of the holding share of shareholder present at the meeting.

REMUNERATION FOR DIRECTORS AND MANAGEMENT

Please see details in the Principles of Good Corporate Governance Clause 5.6.

THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The company has since 2007 exercised the principles of good corporate governance for listed companies 2006 which consist of principles and code of best practices as per the following 5 categories:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transparency

1. Rights of Shareholders

The company's policy was made basing on the shareholders' rights in promoting shareholders to exercise their rights as owners in controlling the company through selection of board of directors to work for them. The shareholders also have the rights in making decisions on important changes of the company.

In 2009, the company has held the General Shareholders' Meeting on April 23, 2009 attended by 6 directors with the absence of one director due to prior commitment in the company's business transaction. The company's auditor has also attended the meeting.

The company recognizes the exercise of rights in voting in the meeting for decision making by shareholders on important issues. Invitation letters for meetings and supporting documents are with complete detailed information on meeting agenda including the board of directors' opinion on each agenda. There are also complete and accurate minutes of meeting for shareholders' inspection. The company has also appointed Thailand Securities Depository Company Limited to send meeting invitation letters to the shareholders 14 days in advance before the meeting date. Shareholders can also visit the company's website for on line meeting details 31 days before the meeting date through <http://www.seafresh.com/investor>. In addition, shareholders can also makeen quiries or ask questions in advance at our E-mail address at investor@seafresh.com.

The meeting will be conducted in a transparent manner under the chairmanship of the Chairman by inviting all shareholders for questions and suggestions for each agenda proposed for consideration. All comments and suggestions will be recorded in the minutes of shareholders' meeting which will be posted 7 days after the meeting at <http://www.seafresh.com/investor>.

2. Equitable Treatment of Shareholders

As part of the equitable treatment of shareholders, each is given the opportunity to authorize his/her representative to the meeting with proxy. The shareholders can also appoint others or independent directors to attend the meeting through the use of proxy by specifying approve, disapprove or abstain for each agenda. The Annual Shareholders' Meeting 2009 has been conducted with the following criteria:

- 2.1 Shareholders are given the opportunity to propose meeting agenda as well as highly qualified knowledgeable, capable and specialized in various areas as candidates for directorship in advance through E-mail address at investor@seafresh.com or through fax no. 02-637-8801. The company has published the criteria and procedures in proposing meeting agenda and directors' appointment and consideration guidelines at <http://www.seafresh.com/investor> as well as the issuance of newsletter to shareholders through the SET on line system on December 1, 2008.

As for the Annual Shareholders' Meeting 2008, there had been no shareholders proposing any meeting agenda or recommending any directorship candidates.

- 2.2 In considering each meeting agenda, the company's officers will distribute the voting form to shareholders or their proxy in the case of disapproval or abstain. The secretary of the meeting will explain the voting procedures before the consideration of meeting agenda. During the directors' election agenda, shareholders are given the opportunity to select directors individually.
- 2.3 The secretary of the meeting will conduct the meeting as per agenda proposed in the meeting invitation letters and there shall be no additional agenda for consideration other than those stated in the letter.

Measures for control of internal information

The company has set necessary measures in controlling internal information for prevention of abuse for personal interests as follows:

- Directors and executives must immediately report of any changes of company's securities held after each of the transaction.
- Directors and executives who gain access to inside information must refrain from the company's securities trading within one month before the disclosure of the financial statement to the public.
- Violation in abuse of company's inside information for personal interests will be imposed with severe punishment such as termination of directorship or employment.

Disclosure of information on conflict of interests

The board of directors has set a policy for the directors and executives to disclose their private business transactions which are in conflict with the company's interests and are not allowed to involve in the decision making of the said transactions.

3. Role of Stakeholders

In realizing the importance of the rights of all related stakeholders which include employees, customers, suppliers, creditors, shareholders and general public, the Board of Directors has in 2009 set a policy to promote the co-operation between the company and stakeholders as follows:

Employee

In 2009, Seafresh Industry Pcl received several certifications as follow;

- Thai Labour Standard (TLS 8001-2003) in Completion Level – Generative Phase for the second consecutive year for its continuous comply with Thai labour standard requirements.
- The Best Provincial Establishment for Safety, Sanitary, and Working Environment.
- The Best Establishment for Child Care Development Center.
- Management Standard for AIDS in Establishment – Silver Level.

Company granted a consistent scholarship to Chumphon students for 21 consecutive years since it was founded. For human development, company valued the importance by providing all employees a continuous training and development. A diversity of course and program were held during the year such as Quality Awareness, ISO9001 Quality Management System Principle, Personal Hygiene Principle, Factory Sanitation and GMP Fundamental, Time Management & Conflict Handling, Building of Sense of Belonging 2, ISO22000:2005 Food Safety Management System Standard, etc.

Customers

The company has emphasized on producing high quality products with international standard and safety to support its selling policy in creating customers' highest satisfaction. The company has conducted Customers' Satisfaction Survey in order to develop and improve the products' quality and services to the utmost. Customers' trade secret has also been kept confidential and well aware among employees concerned.

Suppliers

As stated in the company's policy, all staff must deal with the company's suppliers with strict conditions and agreement made in buying products or services with utmost honesty and transparency.

Creditors

The company will strictly follow the loan conditions and agreement.

Competitors

With Business Ethic policy, the company will not deal business with dishonesty or destruction to its competitors. The company has never had any argument cases with its competitors.

Community and impact on environment

Seafresh has clearly spelled out in its policy to conserve community and social environment. Here are some examples of actual implementations;

- Production process and residual raw material must not have adverse impact on environment.
- Excess raw materials from production are disposed by scrap resale.
- Waste from production process must go through waste water treatment system under the supervision of Office of Provincial Industry.
- Develop ISO 9001:2008 quality management system.
- Conserve natural resources and environment through good practice with community such as;
 - Forest Implant for Natural Conservation and Global Warming Reduction Project in Chumphon.
 - 99,999 Mangrove Implant Project to celebrate the 80th birthday anniversary of H.M The King at Aow Kor – Sieb Yuan village together with Danh Sawee District shrimp farmer alliance and the 2nd Mangrove Resource Development Station.
 - Mangrove Implant Campaign Project at the beach behind elderly home in Panung Tak bay, Pratiew district, Chumphon.

4. Disclosure and Transparency

The Board of Directors has recognized the importance of information disclosure which can have an impact on investors' and stakeholders' decision making and thus ensured that all information disclosed either on financial issues or general information must be transparent. The company has disseminated all related information in Thai and English via both the Stock Exchange Market of Thailand and the Company's Websites. Investors may visit the company's website for information and company's activities at www.seafresh.com/investor or contact us via E-mail Address at: investor@seafresh.com.

In addition, the company has also published the following information in its Annual Report:

Details

- | | |
|--|---|
| 1. Roles of Board of Directors and Audit Committees | : Management Structure |
| 2. Numbers of meeting attended by each director | : Board of Directors' Meeting Clause 5.4 |
| 3. Remuneration Policy for Directors and Executive Management and list of remuneration received by each director | : Remuneration for Directors and Executive Management Clause 5.6 |
| 4. Audit Committees' past year performance | : Statement of responsibility of the Board of Directors on Financial Report |

Investor relations

The company has appointed a team of senior executives responsible for the investor relation activities. Investors may contact the Investor Relations for enquiries at telephone no. 66-2-637-8888 or E-mail: investor@seafresh.com or visit our Website at seafresh@seafresh.com. In order for investors to receive investment information, the company has organized Analyst Meetings on a quarterly basis.

5. Responsibilities of the Board

5.1 Structure of the Board of Directors

The Board of Directors consists of those highly qualified knowledgeable, capable, and specialized in various areas which are beneficial to the company. Besides, they must also dedicate to the duty and responsibility to the utmost benefit of the company, shareholders and all stakeholders.

There are 7 members in the Board of Directors which consists of 3 directors and 4 independent directors which is 57.14% of the entire Board.

In selecting independent directors, the Board has set the following qualification guidelines:

The Board has set qualification of Independent Directors with the regulation of SET and SEC as following:

- Highly qualified, knowledgeable, capable and specialized in various areas.
- Holding shares not more than 1% of the total number of shares with voting rights of the Company, affiliated company, associated company or a related company.
- Being a Director who does not take part in the management, current employee or advisor who receives a regular income from the Company, affiliated company and associated company or with the major shareholders of the Company.
- Must not have direct or indirect benefits both financial and management and business of the Company, affiliated company and associated company or with the major shareholders of the Company.
- Must not be related any way to the management and major shareholders of the Company. They must have freedom in conducting the duties.
- Being a Director whom is not appoint as a representative to safeguard interests of the Company's Directors, major shareholders or shareholders who are related to the Company's major shareholders.
- Must be able to independently manage their assigned roles and responsibilities, propose suggestions and report performance without being under control of the management or major shareholders.

The Chairman of the Board and the managing director is the same person. However, more than 1/3 of the whole Board is comprised of the independent directors for checking and balancing the power.

Although the chairman and the executive board, who holds the position of Senior Vice President Administration and Finance, are related, the company has set clear written roles and responsibilities. This enables them to have independent management opinions, with the independent directors conducting audits independently, resulting in the transparency and fairness to the shareholders. Therefore, confidence can be assured that the said directors will properly manage their responsibilities with full effort, giving the board of directors a good balance of power.

5.2 Sub-Committee

Committee

Committee members, appointed by the Board of Directors to monitor the Company's managing direction, are listed as follows:

The audit committee, established on December 21, 1999, consists of 3 directors. The serving term of each committee is 2 years. All of current committee members are comprise of three independent directors which qualified with SEC regulation as follows:

- | | |
|-------------------------------|-------------------------------|
| 1. Dr. Kamales Santivejkul * | : Chairman of Audit committee |
| 2. Dr. Sorachai Bhisalbutra | : Member of Audit committee |
| 3. Dr. Worapong Leewattanakit | : Member of Audit committee |

*Audit Committee member with knowledge and experience in reviewing the financial statements.

Audit Committee

The Audit Committee held meetings on regular basis and during 2009, a total of 11 meetings were held and reported to the Board of Directors. Responsibilities of the Audit Committee are disclosed under Management section in subject of "The responsibility of the Audit Committee" and the conducting of Audit Committee for the year 2009 is disclosed in Audit Committee report in this Annual Report.

Sub-Committee for remuneration and selection of committee

No Remuneration Committee has been appointed; however, the remuneration is calculated in relation to that of similar companies in the same industry and performance of the Company to be proposed during the Shareholders' Meeting for consideration.

Selection of Company's Directors

Please see details under Selection of Directors and Management

5.3 Roles and Responsibility of Board of Directors.

5.3.1 Roles and Responsibility of Board of Directors

The Board of Directors takes participation in the set up of the company's core policy, vision, strategy and objectives. The Board's responsibility is also to control and monitor the administrative management to ensure that their performance is in line with the policy and successfully meet with the company' objectives for the utmost benefit of the company and the shareholders as a whole.

The Board also considers establishing the clear roles and responsibility for Board of Directors, Executive Officers and Audit Committee as per details in the Management section. In addition, the Board monitors the responsibility of the Executive Officers to ensure that the business is efficiently managed in the same direction and in line with the policy as well as setting up the operational and investment budgets for the business operations.

Details on responsibility of Board of Directors and Executive Officers is shown on the Management section on Authorization of the Board of Directors and Executive Officers.

5.3.2 The Principles of Good Corporate Governance

The Board of Directors recognizes the importance of corporate governance and code of best practices for directors of public company which comply with the Stock Exchange Thailand's guidance. Through these practices, we created the transparency system of internationally accepted professional management as guidelines for administrative and decision-making procedures and have them reviewed on a regular basis.

5.3.3 Business Ethics

The Board has set and announced guidelines of business ethics for directors, management, and employees to follow and ensure that they are well aware of, understand to pursue their duties and responsibilities with honesty and transparency and abide to laws, and regulatory ethics. The Board would monitor this guidance on a regular basis.

5.3.4 Conflict of interests

The company has established policies and approval procedures for any transactions of conflict of interest or relating activities. Strict practice according to the SET's regulations will be followed and considered to ensure persons related to such conflict of interests have not involvement in any of the company's decision making. The company has clearly disclosed the information in the financial statements, see note to Financial Statements No.7.

5.3.5 Internal Controlling System

The company recognizes the importance of internal controlling system of all levels. Therefore, we have clearly established written responsibilities and duties of management and all other employees as well as setting up the budget limit for approval of procurement requests, procurement orders, and other expenses. We create the checked and balanced system and control the utilization of the Company's assets to the maximum benefit. The company also set solid financial control system and risk management system including preventive measures.

The Internal Audit Department has been established to conduct internal auditing of the company's operation systems to ensure full compliance to the company's legal and regulatory requirements. The internal audit department is obligated to report its finding directly to the audit committees.

During the Board of Director meeting No.11/2009 on December 24, 2009 attended by 3 Audit committee members. The committee had evaluated the internal control system through questioning the Management. The evaluation assessment showed that that the company's internal control system is divided into five perspectives, organization and environment, risk management, administrative management, information and communication system, and traceability system. The Board found the company's internal control system concerning transactions related to major shareholders, Directors and their involving parties (section 3 no. 3.3 to 3.7 of evaluation form) to be sufficiently in line with the internal control system. The Board also found other area of internal control systems to be adequately appropriate.

5.4 Board Of Directors' Meetings

Directors shall meet monthly during the 3rd week of the month. However, rescheduling may be made as circumstances permit. The secretary of the company is responsible for the following arrangements :

- 5.4.1 Issue meeting invitations with agenda of important issues proposed by Chairman and the Board. All directors have freedom in proposing agenda for consideration in the meetings.
- 5.4.2 Prepare and submit related documents with detailed information to the Board of Directors at least 7 days before the meeting.
- 5.4.3 Record and prepare minutes of meeting as well as filing the minutes of meetings duly checked by the executive officers and directors with signature of the chairman of the board.

The duration of each meeting is usually about 3 hours. The chairman of the board has allocated sufficient time for senior executive officers to propose agenda and important issues for consideration with freedom. Directors may request for additional necessary information for support of the proposed topics within the set policy for consideration in the meeting.

The independent directors are able to hold meetings among themselves, without the participation of the administrative officers, for discussions of problems concerning issues of interest and report the meeting results to the management directors. There had been no meetings among independent directors in 2009.

There were 11 Board of Directors meetings in 2009 with details of directors' attendance as

| Names | Positions | Attendance/No. of attendance |
|----------------------------------|------------------------------------|------------------------------|
| 1. Mr. Narit Chia-Apar | Chairman of the Board of Directors | 11/11 |
| 2. Mr. Narongrit Chiarawongvanit | Director | 11/11 |
| 3. Mrs. Tassanee Youngmeevithya | Director | 11/11 |
| 4. Dr. Sorachai Bhisalbutra | Independent Director | 11/11 |
| 5. Dr. Kamales Santivejkul | Independent Director | 11/11 |
| 6. Dr. Worapong Leewattanakit | Independent Director | 11/11 |
| 7. Mrs. Supannee Punnasri | Independent Director | 10/11 |

5.5 The Board of Directors's self evaluation

The Board of Directors has conducted performance assessment of the entire Board in accordance with the SET guideline which requires to be conducted on a yearly basis which covered the subjects as follows:

1. Structure and Characteristics of the Board
2. Roles and Responsibilities of the Board
3. Board meetings
4. The Board's performance of duties
5. Relationship with management
6. Self-development of Directors and executive development

The result of Board's Self Assessment for the year 2009 is in the level of "Very Good". The Board intends to use this result to further improve their performance.

5.6 Remuneration for Directors and The Management

Directors remuneration

The company has requested for the approval of the director remuneration during the Shareholders' Meeting each year. The remuneration is within the same range as those in the same industry. The level of remuneration will commensurate as meeting attendance basis with the duties and responsibilities assigned to each director.

Executive officers remuneration

The board of director is responsible of considering the level of executive officers remuneration basing on the company's performance and individual performance of each executive.

Details of remuneration paid in 2008 are as follows:

Monetary remuneration

The directors' remuneration in 2009 amounting to 810,000.00 Baht was for the meeting allowance for 4 independent directors as follows:

| Names | Positions | Remuneration/year (Baht) |
|-------------------------------|---------------------------------|--------------------------|
| 1. Dr. Kamales Santivejkul | Independent Director | 140,000 |
| | Chairman of the Audit Committee | 97,778 |
| 2. Dr. Sorachai Bhisalbutra | Independent Director | 140,000 |
| | Audit Committee | 88,889 |
| 3. Dr. Worapong Leewattanakit | Independent Director | 140,000 |
| | Audit Committee | 97,778 |
| 4. Mrs. Supanee Punnasri | Independent Director | 105,555 |

- The total remuneration for 4 executive officers is 7.42 Million Baht which consists of salary and bonus.
- None of the directors received any remuneration from being directorship of the subsidiary of the company.

Other remuneration

The company has allocated to the directors 3 million units or 13.98% of the total amount of warrants to be offered to the employees and board of directors of the company. The total amount of warrants is 21,448,000 units at 0 Baht per unit with a 4-year duration and the exercise right of 3 Baht per unit. No directors or employees are allowed the allocation of over 5% of the total amount of warrants to be offered to the employees and board of directors.

List of Directors with Warrants allocation

| Names | Positions | No. of Shares | % of Warrants |
|----------------------------------|--|---------------|---------------|
| 1. Mr. Narit Chia-Apar | Chairman of the Board of Directors | 800,000 | 3.73 |
| 2. Mr. Narongrit Chiarawongvanit | Director | 500,000 | 2.33 |
| 3. Mrs. Tassanee Youngmeevithya | Director | 500,000 | 2.33 |
| 4. Dr. Kamales Santivejkul | Chairman of the Audit Committee and Independent Director | 500,000 | 2.33 |
| 5. Dr. Sorachai Bhisalbutra | Audit Committee and Independent Director | 400,000 | 1.86 |
| 6. Dr. Worapong Leewattanakit | Audit Committee and Independent Director | 200,000 | 0.93 |
| 7. Mrs. Supanee Punnasri | Independent Director | 100,000 | 0.47 |
| Total | | 3,000,000 | 13.98 |

5.7 Development for Directors and Management

5.7.1 The company's directors have attended the training courses organized by the Thai Institute of Directors

| Names | Courses |
|----------------------------------|--------------------------------------|
| 1. Mr. Narit Chia-Apar | Director Certification Program (DCP) |
| 2. Mrs. Tassanee Youngmeevith | Director Certification Program (DCP) |
| 3. Dr. Kamales Santivejkul | Director Certification Program (DCP) |
| 4. Mr. Narongrit Chiarawongvanit | Director Accreditation Program (DAP) |
| 5. Dr. Sorachai Bhisalbutra | Director Accreditation Program (DAP) |
| 6. Dr. Worapong Leewattanakit | Director Accreditation Program (DAP) |
| 7. Mrs. Supanee Punnasri | Director Accreditation Program (DAP) |

5.7.2 The Board of Directors has assigned the Management of the company to prepare for the directors necessary documentations that are useful in performing the directors' duty as well as details of business and its operating direction as guidelines to each new director.

DIVIDEND PAYMENT POLICY

The Board of Directors's policy is to make dividend payment of no less than 40% of the net profit after tax to the shareholders.

The subsidiary company has no policy to make dividend payment to the company due to its non-profit contributed performance.

INTER - TRANSACTION

The company has a significant business transaction with Seafresh Chitosan (Lab) Company Limited. Seafresh Industry Public Company Limited's shareholders and executives hold 4.57% of Seafresh Chitosan's shares. This transaction is abide by endition and eriteria in mutual agreement as listed in financial statement supporting remark No.7

Details in addition to items as stated in the financial statement are as follows:

Building Rental

It is necessary for the company to have an office in Bangkok in order to communicate with foreign countries, prepare export documentations, use as a center for financial control, and obtain supplies of packaging and ingredients as well as transportation management. The office is located in an area convenient for communication with government agencies, banks, and other related institutes. The company has made a rental contract with the Chartered Square Holdings Co. Ltd., whose directors and shareholders are those of the company as follows Mr. Narit Chia-Apar shareholders 53.24% and Mrs. Tassanee Youngmeevithya shareholders 46.75%.

The company has received an approval from the board of directors meeting #4/2008 dated May 13, 2008, allowing renewal of the rental contract, which expired on June 30, 2008, at a regular rental rate for a period of 3 years from July 1, 2008 to June 30, 2011. The office is situated on the 31st floor of the Chartered Square building, covering an area of 1,045 square meters. The company pays a rental and service charge per month; but, the company pays a rental and service charge totals to 16,929,000 Baht for the 3 years.

The above transaction is considered to be related to the registered company, and when calculated, the size of such transaction is equal to 1.03% of the current assets value of the company and its associates as at March 31, 2008. Such undertaking exceeds 0.03% but lower than 3% the current assets value of the company and its associates.

Independent directors' opinion

The independent directors considered such undertaking to be appropriate as the company needs an office for business transactions and handling of other related tasks. In addition, the rental and service charges are in the standard ranges charged to general tenants and the directors who have direct benefit to the company such as Mr. Narit Chia-apor and Mrs. Tassanee Youngmeevithya did not attend the meeting and had no right to vote in the meeting.

Measures/Approval Procedures for inter-transactions

1. Consideration is to be made as necessary and appropriate wherever inter-transactions arise.
2. Each transaction must be agreed upon by the majority votes of at least 3/4 from the board of directors excluding votes by directors whose involvement relates to such transaction.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Result From Business Plan Implementation

-None-

2. Result From Operation

2.1 Overall operation result

In previous year, in spite of the global economic crisis, frozen shrimp export from Thailand has continued to grow in the positive direction. Moreover, the company completed management realignment and production cost improvement. These have resulted in a 23.01% sales revenue increase in 2009. The gross profit margin increased from 11.78% in 2008 to 17.52%. The company's net profit increased from Baht 49.42 Million in 2008 to Baht 183.15 Million in 2009.

2.2 Operation Result

2.2.1. Revenue from sales

The Company's sales revenue increased from Baht 1,759.64 Million in 2008 to Baht 2,164.51 Million or 23.01%, because frozen shrimp export from Thailand has continued to grow in the positive direction and the company completed management realignment and production cost improvement.

2.2.2. Other revenue from unusual items

-None-

2.2.3. Cost and expense of sales and administration

The cost of goods sold in 2009 was 82.48% of the revenue from sales compared with 88.22% in 2008. This was due to economy of scale resulting from production capacity expansion and the company's capability in controlling production expenses.

2.2.4. Profit

The Company's net profit was higher at Baht 183.15 Million, against Baht 49.42 Million last year, which distributed to the gross profit margin of 17.52% compared with 11.78% in 2008 and the net profit margin of 8.38% compared with 2.77% in 2008

2.2.5. Rate of return

In 2009, the Company paid the dividends of 0.25 Baht per share from the operations of 2008 to shareholders at the total of Baht 106.44 Million which was 215.38% of the net profit and was in accordance with the policy of the Company.

3. Financial Status

3.1 Assets

3.1.1. Asset Component

The Company's total asset was amounted to Baht 1,431.70 Million, a decrease of Baht 17.47 Million, or 1.21 year-on-year. This was the result of the decrease of the numbers of our inventory that the Company was able to move the large amounts of its stocks of finished goods. The Company has the current assets ratio of 76.97% and the property, plant and equipment contributed 19.81% of the total assets.

3.1.2. Account Receivables

Trade accounts receivable-unrelated parties, net as at 31st December 2009 amounted Baht 135.41 Million, and decrease of Baht 67.29 Million compared with 2008. Most of the account receivables were of that less than 3 months and only the exceeding 12 months was at the amount of Baht 14.01 Million which was reserved as bad debts amounted Baht 14.75 Million basing on our collection experience and the current status of outstanding balance at the statement's date.

3.1.3 Inventories

The Company's finished goods as at December 31, 2009 reduced 15.20% compared with 2008. This was the Company was able to move large amounts of its stocks at the market price. Then, the Company could reverse allowance for diminution in value of inventories to be revenue of Baht 24.21 Million. Most inventories are frozen raw shrimps aging between 1-18 months.

The management of Company tried to sell the inventories aging more than 1 year at the market price as much as possible. In addition, the Company has emphasized on the efficiency of inventory management, the optimal level of stock and ability to serve the customers' need promptly. Besides, the Company and its subsidiary had set aside provisions for diminution in the values of their inventories totaling by percentage of aging stock. The management believes that such provisions are adequate since the Company's inventory storage procedures meet industry standards. The obvious example is that the Company never has loss from damage of inventories.

3.2 Liquidity

3.2.1 Cash Flow

There was an operating cash flow of Baht 409.67 Million, an increase of 326.28 Million from previous year. The main reasons were due to the net profit rose by Baht 133.73 Million and the trade accounts receivable-unrelated parties declined by Baht 52.80 Million from the previous year. The investing cash flow was Baht -14.82 Million because of the purchasing fixed asset of Baht 17.52 Million. The financing cash flow was Baht -189.18 Million due to the payment of packing credit and dividend for Baht 82.73 Million and Baht 106.44 Million, respectively.

3.2.2 Liquidity Ratio

The Company's current ratio was higher at 25.05 times; up from 7.93 times last year. Moreover, the quick ratio was higher at 8.99 times as against 1.85 times in the previous year. From the result of these ratios, it shows that the company has had very good liquidity.

3.2.3 Due date of Debt

The company had no loan to be due within 1 year.

3.3 Capital Expenditure

- None -

3.4 Source of Investment Fund

3.4.1 Capital Structure

Debt to equity ratio was 0.03 times, decreased from 0.11 times the last year. This ratio showed that the company has low financial risk.

3.4.2 Shareholders' Equity

Shareholders' equity increased from Baht 1,309.71 Million in 2008 to 1,386.41 Million in 2009 which was due to the higher net profit.

3.4.3 Liabilities

Total liabilities of 2009 were amounted to Baht 45.28 Million, 67.53% lower than the previous year. The majority of debt consisted of accrued expenses and trade accounts payable at 63.19% of total liabilities.

4. Audit Fee

4.1 Audit Fee

The company and its subsidiaries paid audit fee of Baht 883,796 to Ernst & Young office limited.

4.2 Non Audit Fee

-None-

5. Factor And Influence That May Affect Future Operation And Financial Status See the risk factor and the business operation overview.

Information about Management of the company

| Name | Seafresh Industry Public Company Limited | Subsidiary Company | Associated Company |
|----------------------------------|--|--|---------------------------------------|
| | | Seafresh Chitosan (Lab) Company Limited | Seafresh Katokichi Company Limited |
| 1. Mr. Narit Chia-Apar | X , // | X | X |
| 2. Mr. Narongrit Chiarawongvanit | / , // | | / |
| 3. Mrs. Tassanee Youngmeevidhya | / , // | / | |

Note : X = Chairman of the Board
 / = Director
 // = Administrative Director

Information about Board of Directors and Management of the company

| Name / Position | Age | Education | % Shares (As of March 16, 2009) |
|--|-----|--|------------------------------------|
| Mr. Narit Chia-Apar Chairman of the Board and President | 52 | College, Malaysia Directors Certification Program (DCP) | 24.71% |
| Mr. Narongrit Chiarawongvanit Senior Vice President Resources and Production | 57 | College, Malaysia Directors Accreditation Program (DAP) | 0.58% |
| Mrs. Tassanee Youngmeevidhya Director and Senior Vice President-Administration & Finance | 55 | B.S (Economics) Directors Certification Program (DCP) | 24.48% |
| Mrs. Supanee Punnasri Independent Director | 50 | Doctor of Medical Bachelor of Medical Science (Certificate of Medical) Directors Accreditation Program (DAP) | 0.08% |
| Dr. Kamales Santivejkul Independent Director and Chairman of Audit Committee | 59 | Ph.D (Business Admin) Oklahoma State University Directors Certification Program (DCP) | 0.00% |
| Dr. Sorachai Bhisalbutra Independent Director and Member of Audit Committee | 69 | Ph.D (Statistics) Oklahoma State University Directors Accreditation Program (DAP) | 0.03% |
| Dr. Worapong Leewattanakit Independent Director and Member of Audit Committee | 39 | Ph.D (Computer Science) Wenna University of Technology Directors Accreditation Program (DAP) | 0.00% |
| Miss. Nantawan Suwanprasit The Company's Secretary | 49 | B.A (Accounting) Ramkhamhaeng University | 0.00% |

| Relationship among management | Work Experience | | |
|--|-------------------------------|---|---|
| | Period | Position | Company |
| Mrs. Tassananee Youngmeevidhya's husband | 1982 - Present | Chairman of the Board and President | Seafresh Industry Public Company Limited |
| Mr. Narit Chia-Apar's cousin | 1982 - Present | Director and Senior Vice President Resources Management | Seafresh Industry Public Company Limited |
| Mr. Narit Chia-Apar's wife | 1982 - Present | Director and Senior Vice President Administration and Finance | Seafresh Industry Public Company Limited |
| N/A | 1999 - Present 1984 - 1992 | Director Medical Doctor | E.B. International Co.,Ltd. Chulalongkorn Hospital |
| N/A | 2005 - Present | Associate Professor Department of Banking and Finance, Faculty of Commerce and Accountancy | Chulalongkorn University |
| | 2004 - 2008 | Deputy Dean & CIO | Chulalongkorn University |
| N/A | Present | Advisor to the Vice President for Research and Academic Services | Dhurakijbundit University |
| | 1999 - 2005 | Deputy Dean- Research & Development Department | Dhurakijbundit University |
| N/A | 1996 - Present | Instructor - Faculty of Commerce and Accountancy | Chulalongkorn University |
| | 2005 - 2008 | Director or Office of International Technology | Chulalongkorn University |
| N/A | 1987 - Present | The Company's Secretary | Seafresh Industry Public Company Limited |

STATEMENT OF THE RESPONSIBILITY OF BOARD OF DIRECTORS TO FINANCIAL REPORT

The Company's Board of Directors is responsible for reporting the Company's financial statements. The financial statements were prepared in accordance with generally accepted accounting principles. By using the appropriate accounting standard, the Company has recorded information both correctly and completely, enabling protection of Company assets and prevention of any misallocated items in the financial statement.

The Board of Directors appointed an Audit Committee to examine the report, which comprises three Non-Executive Directors. Their responsibility is to report facts and a reliable financial statement, as well as to ensure the internal control system is the most appropriate and effective one available. The Board of Directors believes that, as of December 31st 2009, the Company's internal control system is capable of assuring a reliable financial statement.

A handwritten signature in black ink, consisting of a large, stylized 'C' followed by several loops and a long horizontal stroke extending to the right.

(Mr. Narit Chia-Apar)
Chairman of the Board

AUDIT COMMITTEE REPORT

To: The Shareholders of Seafresh Industry Public Company Limited

In the year 1999, the Board of Directors of Seafresh Industry PCL appointed an Audit Committee which in the current the Audit Committee is comprises of three Independent Directors, who were qualified according to the regulations and best practice guidelines for Audit Committee of the Stock Exchange of Thailand. At present, the Audit Committee for the Company comprising of Dr.Kamales Santivejkul as Chairman of Audit Committee, Dr.Sorachai Bhisalbutra and Dr.Worapong Leewatanakit as Audit Committee members, with the Internal Audit Department Manager served as the secretary of Audit Committee.

The Audit Committee fulfilled the responsibility according to the scope, duties and responsibilities assigned by the Board of Directors that complied with the Regulation of the Stock Exchange of Thailand. In the financial year 2009 the Audit Committee is conducts with the regulation aforesaid which summarizes as follows:

1. Review the interim and annual financial statements

To consider and review financial statements by questioning and listening to management and the external auditor's clarifications, concerning the correctness and completeness of the financial statements and the adequacy of information disclosure. The Audit Committee agreed with the external auditors that the financial statements were correct adhering to the general accepted accounting principles.

2. Review the operation information and internal control system

By objective to evaluate the sufficiency, appropriateness and effectiveness of the internal control system to reach the specified objective, by considered the internal audit report according to the approved internal audit plan that covered important workflows of the Company. The Audit Committee has opinion that the Company has adequate internal control system and there is no significant deficiency, appropriate property protection, correctness and credible information disclosure.

3. Review compliance with the Securities and Exchange Acts, Regulations of SET and any other relevant laws.

The Audit Committee has opinion that the Company has been complying with laws and regulations to which the operations of the Company are subjected and did not find any significant incompliance to any law, regulations and the Company's obligations.

4. Consider appointing the External Auditors and their remuneration

The Audit Committee has also consider, selecting the external auditors and their remunerations for annually to purpose the Board of Directors to ask for the approval of the Shareholder's Meeting for the year 2010, which the Audit Committee considered the qualification, independency, performance and remuneration and concluded to purpose appoint Ernst & Young Office Limited as the Auditors of the Company and subsidiaries for the year 2010 which consists the auditors as follows:

- | | |
|-------------------------------|--------------------------------|
| 1. Ms. Sumalee Reewarabandith | (C.P.A. Registration No. 3970) |
| 2. Mr. Sophon Permsirivallop | (C.P.A. Registration No. 3182) |
| 3. Ms. Rungnapa Lertsuwankul | (C.P.A. Registration No. 3516) |

In addition, the Audit Committee has opinions concerning the external auditor appointment as follows:

- Based on past performance, the external auditors performed their duties with knowledge, professional competency and gave recommendation regarding internal control system and various risks, and also had independency in performing duties.
- The purposed remuneration was appropriate, for the year 2010, the audit fees is amount of Baht 900,000.
- There was compliance with Regulation of the Office of the Securities and Exchange Commission (SEC) with regards to the changing of the financial statements signatory external auditor every 5 years.
- The external auditors had no relation with the Company and its subsidiaries.

5. Review and give opinion to connected transactions or transaction may have conflict of interests, and information disclosure of such transactions.

By objective the Company complies with Regulation of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission. The external auditors had opinion that the significant transactions with the connected persons were disclosed and showed in the Financial Statements and Note to Financial Statements and the Audit Committee had opinion as same as the external auditors and also considered that such transactions were reasonable and the most beneficial to the business of the Company and were disclosed correctly and completely.

6. Review the corporate governance report

The Audit Committee had reviewed the corporate governance report for the listed company in accordance with the Stock Exchange of Thailand (SET) which consist 5 groups as follows:

1. Rights of Shareholders
2. Equitable Treatment of Shareholders
3. Role of Stakeholders
4. Disclosure and Transparency
5. Responsibilities of the Board

The Audit Committee has opinions in the year 2009, the Company has been conducting with SET guideline in appropriately and also disclosed in this annual report.

7. Audit Committee Meeting.

The formal Audit Committee Meeting set as fixed monthly before the Board of Directors Meeting so that the Audit Committee Meeting would be inform the minute to the Board of Directors for acknowledgement and receiving suggestions from the Board. In the year 2009, Audit Committee held 11 regular meeting and no special meeting. The record of attendance of the members of Audit Committee is summarizing as follows:

| Name | No. of Attendance / Total Meeting (Times) | |
|-----------------------------|---|-----------------|
| | 2008 | 2009 |
| | Regular Meeting | Regular Meeting |
| 1. Dr.Kamales Santivejkul | 11/11 | 11/11 |
| 2. Dr.Sorachai Bhisalbutra | 11/11 | 10/11 |
| 3. Dr.Worapong Leewatanakit | 11/11 | 11/11 |

In summary, the Audit Committee had fulfilled the responsibility of the obligations of Stock Exchange of Thailand and opinion that the Company disclosed financial and operation information correctly, had appropriate and effectiveness of internal control, internal audit, and risk management, complied with laws, regulations and obligations, disclosed the connected transactions correctly, performed duties in compliance with the Good Corporate Governance Principle, with adequacy, transparency and reliably, and also developed the operation systems to be more qualified and fit with the changing business environment on a continuing basis.

On behalf of the Audit Committee



(Dr. Kamales Santivejkul)
Chairman of the Audit Committee

Seafresh Industry Public Company Limited and its subsidiary
Audit report and consolidated financial statements
31 December 2009 and 2008

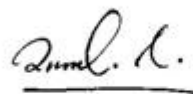
Report of Independent Auditor

To the Shareholders of Seafresh Industry Public Company Limited

I have audited the accompanying consolidated balance sheets of Seafresh Industry Public Company Limited and its subsidiary as at 31 December 2009, the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, and the separate financial statements of Seafresh Industry Public Company Limited for the same period. These financial statements are the responsibility of the management of the Company and its subsidiary as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The consolidated financial statements of Seafresh Industry Public Company Limited and its subsidiary, and the separate financial statements of Seafresh Industry Public Company Limited for the year ended 31 December 2008 were audited in accordance with the generally accepted auditing standards by another auditor of our firm who expressed an unqualified opinion on those statements, under her report dated 26 February 2009.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seafresh Industry Public Company Limited and its subsidiary and of Seafresh Industry Public Company Limited as at 31 December 2009, and the results of their operations and cash flows for the year then ended, in accordance with generally accepted accounting principles.



Sumalee Reewarabandith
Certified Public Accountant (Thailand) No. 3970

Ernst & Young Office Limited
Bangkok: 25 February 2010

Seafresh Industry Public Company Limited and its subsidiary
Balance sheets
As at 31 December 2009 and 2008

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | | <u>Separate financial statements</u> | |
|---|--|----------------------|----------------------|--------------------------------------|----------------------|
| | <u>Note</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | 250,098,362 | 44,419,771 | 249,968,142 | 44,331,086 |
| Trade accounts receivable – unrelated parties, net | 6 | 135,410,813 | 202,705,313 | 134,410,813 | 202,448,219 |
| Trade accounts receivable – related parties, net | 6, 7 | - | 3,424 | 531,827 | 2,451,001 |
| Other account receivable – related party | 7 | - | - | 450,000 | 607,470 |
| Short-term loans to and interest receivable from a related party – net | 7 | - | - | 17,523,406 | 18,923,406 |
| Inventories – net | 8 | 706,444,650 | 839,512,225 | 700,558,065 | 835,969,595 |
| Other current assets | 9 | 10,059,159 | 8,228,238 | 10,034,296 | 8,206,488 |
| Total current assets | | <u>1,102,012,984</u> | <u>1,094,868,971</u> | <u>1,113,476,549</u> | <u>1,112,937,265</u> |
| Non-current assets | | | | | |
| Restricted deposits at financial institutions | 10 | 42,255,431 | 42,411,306 | 42,255,431 | 42,411,306 |
| Investment in subsidiary – net | 11 | - | - | - | - |
| Investment in associate | 11 | 1,762,363 | 1,758,000 | 1,225,000 | 1,225,000 |
| Property, plant and equipment – net | 12 | 283,633,985 | 309,858,697 | 275,515,144 | 300,660,384 |
| Other non-current assets | | <u>2,032,833</u> | <u>273,660</u> | <u>2,032,070</u> | <u>272,904</u> |
| Total non-current assets | | <u>329,684,612</u> | <u>354,301,663</u> | <u>321,027,645</u> | <u>344,569,594</u> |
| Total assets | | <u>1,431,697,596</u> | <u>1,449,170,634</u> | <u>1,434,504,194</u> | <u>1,457,506,859</u> |

The accompanying notes are an integral part of the financial statements.

Seafresh Industry Public Company Limited and its subsidiary
Balance sheets (continued)
As at 31 December 2009 and 2008

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | | <u>Separate financial statements</u> | |
|--|--|----------------------|----------------------|--------------------------------------|----------------------|
| | <u>Note</u> | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Liabilities and shareholders' equity | | | | | |
| Current liabilities | | | | | |
| Bank overdrafts and short-term loans | | | | | |
| from financial institutions | 13 | 46,456 | 82,781,092 | 46,456 | 82,781,092 |
| Trade accounts payable – unrelated parties | | 12,585,633 | 15,717,370 | 12,532,155 | 15,338,077 |
| Trade accounts payable – related parties | 7 | 90,664 | 77,441 | 101,168 | 83,861 |
| Accrued expenses | | 15,937,998 | 22,972,016 | 15,806,151 | 22,765,696 |
| Accounts payable – others | | 10,067,952 | 10,515,489 | 9,926,022 | 10,503,026 |
| Forward exchange contracts payable | | - | 4,309,530 | - | 4,309,530 |
| Premium on forward exchange contracts | | 2,226,409 | - | 2,226,409 | - |
| Other current liabilities | | 3,045,687 | 1,699,764 | 2,977,417 | 1,662,231 |
| Total current liabilities | | <u>44,000,799</u> | <u>138,072,702</u> | <u>43,615,778</u> | <u>137,443,513</u> |
| Non-current liabilities | | | | | |
| Other non-current liabilities | | 1,283,109 | 1,390,645 | 1,283,109 | 1,390,645 |
| Total non-current liabilities | | <u>1,283,109</u> | <u>1,390,645</u> | <u>1,283,109</u> | <u>1,390,645</u> |
| Total liabilities | | <u>45,283,908</u> | <u>139,463,347</u> | <u>44,898,887</u> | <u>138,834,158</u> |
| Shareholders' equity | | | | | |
| Share capital | 14 | | | | |
| Registered | | | | | |
| 450,423,000 ordinary shares of Baht 1 each | | <u>450,423,000</u> | <u>450,423,000</u> | <u>450,423,000</u> | <u>450,423,000</u> |
| Issued and paid-up | | | | | |
| 428,975,000 ordinary shares of Baht 1 each | | 428,975,000 | 428,975,000 | 428,975,000 | 428,975,000 |
| Premium on ordinary shares | | 672,975,000 | 672,975,000 | 672,975,000 | 672,975,000 |
| Retained earnings | | | | | |
| Appropriated | | | | | |
| Statutory reserve | 15 | 45,042,300 | 44,496,205 | 45,042,300 | 44,496,205 |
| Treasury stock reserve | 16 | 3,651,668 | 3,651,668 | 3,651,668 | 3,651,668 |
| Unappropriated | | <u>239,421,388</u> | <u>163,261,082</u> | <u>242,613,007</u> | <u>172,226,496</u> |
| Total shareholders' equity before treasury stock | | <u>1,390,065,356</u> | <u>1,313,358,955</u> | <u>1,393,256,975</u> | <u>1,322,324,369</u> |
| Less: Treasury stock | 16 | <u>(3,651,668)</u> | <u>(3,651,668)</u> | <u>(3,651,668)</u> | <u>(3,651,668)</u> |
| Total shareholders' equity | | <u>1,386,413,688</u> | <u>1,309,707,287</u> | <u>1,389,605,307</u> | <u>1,318,672,701</u> |
| Total liabilities and shareholders' equity | | <u>1,431,697,596</u> | <u>1,449,170,634</u> | <u>1,434,504,194</u> | <u>1,457,506,859</u> |

The accompanying notes are an integral part of the financial statements.

Seafresh Industry Public Company Limited and its subsidiary
Income Statements
For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|---|--------------|--|---------------|--------------------------------------|---------------|
| | Note | 2009 | 2008 | 2009 | 2008 |
| Revenues | | | | | |
| Sales | 7 | 2,164,511,382 | 1,759,644,150 | 2,152,370,558 | 1,737,868,045 |
| Other income | 7, 17 | 22,074,522 | 26,991,540 | 23,555,949 | 29,166,329 |
| Total revenues | | 2,186,585,904 | 1,786,635,690 | 2,175,926,507 | 1,767,034,374 |
| Expenses | | | | | |
| Cost of sales | | 1,785,326,849 | 1,552,378,274 | 1,782,383,636 | 1,537,707,122 |
| Selling expenses | | 145,138,552 | 147,833,124 | 145,090,733 | 147,702,013 |
| Administrative expenses | 7 | 68,784,438 | 70,403,783 | 67,677,770 | 64,559,648 |
| Management benefit expenses | | 8,226,000 | 9,521,189 | 8,226,000 | 9,521,189 |
| Exchange loss | | 13,565,542 | 2,965,541 | 13,563,043 | 2,961,044 |
| Reversal of allowance for diminution in value of inventories | | (24,210,234) | (50,048,463) | (25,000,000) | (46,000,000) |
| Total expenses | | 1,996,831,147 | 1,733,053,448 | 1,991,941,182 | 1,716,451,016 |
| Income before share of income from investment in associate and finance cost | | 189,754,757 | 53,582,242 | 183,985,325 | 50,583,358 |
| Share of income from investment in associate | | 4,363 | 18,042 | - | - |
| Income before finance cost | | 189,759,120 | 53,600,284 | 183,985,325 | 50,583,358 |
| Finance cost | | (6,608,994) | (4,179,498) | (6,608,994) | (4,179,498) |
| Net income for the year | 21 | 183,150,126 | 49,420,786 | 177,376,331 | 46,403,860 |
| Basic earnings per share | 19 | | | | |
| Net income | | 0.43 | 0.12 | 0.42 | 0.11 |
| Weighted average number of ordinary shares (shares) | | 425,795,000 | 428,449,694 | 425,795,000 | 428,449,694 |

The accompanying notes are an integral part of the financial statements.

Seafresh Industry Public Company Limited and its subsidiary
Statements of changes in shareholders' equity
For the years ended 31 December 2009 and 2008

(Unit: Baht)

| Consolidated financial statements | | | | | | | | |
|---|------|--|----------------------------------|----------------------|------------------------------|----------------|-------------------|---------------|
| | Note | Issued and paid-up share capital | Premium on ordinary shares | Retained earnings | | Unappropriated | Treasury stock | Total |
| | | | | Appropriated | | | | |
| | | | | Statutory reserve | Treasury stock reserve | | | |
| Balance as at 31 December 2007 | | 428,975,000 | 672,975,000 | 42,176,012 | - | 188,445,037 | - | 1,332,571,049 |
| Unappropriated retained earnings transferred to statutory reserve | 15 | - | - | 2,320,193 | - | (2,320,193) | - | - |
| Unappropriated retained earnings transferred to treasury stock reserve | 16 | - | - | - | 3,651,668 | (3,651,668) | - | - |
| Increase in treasury stock during the year | 16 | - | - | - | - | - | (3,651,668) | (3,651,668) |
| Dividend paid | 20 | - | - | - | - | (68,632,880) | - | (68,632,880) |
| Net income for the year | | - | - | - | - | 49,420,786 | - | 49,420,786 |
| Balance as at 31 December 2008 | | 428,975,000 | 672,975,000 | 44,496,205 | 3,651,668 | 163,261,082 | (3,651,668) | 1,309,707,287 |
| Balance as at 31 December 2008 | | 428,975,000 | 672,975,000 | 44,496,205 | 3,651,668 | 163,261,082 | (3,651,668) | 1,309,707,287 |
| Unappropriated retained earnings transferred to statutory reserve | 15 | - | - | 546,095 | - | (546,095) | - | - |
| Dividend paid | 20 | - | - | - | - | (106,443,725) | - | (106,443,725) |
| Net income for the year | | - | - | - | - | 183,150,126 | - | 183,150,126 |
| Balance as at 31 December 2009 | | 428,975,000 | 672,975,000 | 45,042,300 | 3,651,668 | 239,421,388 | (3,651,668) | 1,386,413,688 |

The accompanying notes are an integral part of the financial statements.

Seafresh Industry Public Company Limited and its subsidiary
Statements of changes in shareholders' equity (continued)
For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | Separate financial statements | | | | | | | |
|--|-------------------------------|--|----------------------------------|----------------------|------------------------------|----------------|-------------------|---------------|
| | Retained earnings | | | | | | | |
| | | | | Appropriated | | | | |
| | Note | Issued and paid-up share capital | Premium on ordinary shares | Statutory reserve | Treasury stock reserve | Unappropriated | Treasury stock | Total |
| Balance as at 31 December 2007 | | 428,975,000 | 672,975,000 | 42,176,012 | - | 200,427,377 | - | 1,344,553,389 |
| Unappropriated retained earnings | | | | | | | | |
| transferred to statutory reserve | 15 | - | - | 2,320,193 | - | (2,320,193) | - | - |
| Unappropriated retained earnings | | | | | | | | |
| transferred to treasury stock reserve | 16 | - | - | - | 3,651,668 | (3,651,668) | - | - |
| Increase in treasury stock during the year | 16 | - | - | - | - | - | (3,651,668) | (3,651,668) |
| Dividend paid | 20 | - | - | - | - | (68,632,880) | - | (68,632,880) |
| Net income for the year | | - | - | - | - | 46,403,860 | - | 46,403,860 |
| Balance as at 31 December 2008 | | 428,975,000 | 672,975,000 | 44,496,205 | 3,651,668 | 172,226,496 | (3,651,668) | 1,318,672,701 |
| Balance as at 31 December 2008 | | 428,975,000 | 672,975,000 | 44,496,205 | 3,651,668 | 172,226,496 | (3,651,668) | 1,318,672,701 |
| Unappropriated retained earnings | | | | | | | | |
| transferred to statutory reserve | 15 | - | - | 546,095 | - | (546,095) | - | - |
| Dividend paid | 20 | - | - | - | - | (106,443,725) | - | (106,443,725) |
| Net income for the year | | - | - | - | - | 177,376,331 | - | 177,376,331 |
| Balance as at 31 December 2009 | | 428,975,000 | 672,975,000 | 45,042,300 | 3,651,668 | 242,613,007 | (3,651,668) | 1,389,605,307 |

The accompanying notes are an integral part of the financial statements.

Seafresh Industry Public Company Limited and its subsidiary
Cash flow statements
For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|---|--|--------------|--------------------------------------|--------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Cash flows from operating activities | | | | |
| Net income before tax | 183,150,126 | 49,420,786 | 177,376,331 | 46,403,860 |
| Adjustments to reconcile net income before tax to net cash provided by (paid from) operating activities | | | | |
| Depreciation | 45,540,438 | 40,308,725 | 44,410,966 | 39,174,987 |
| Write-off equipment | 330,446 | 537,251 | 330,446 | 526,289 |
| Allowance for doubtful accounts (reversal) | 14,000,000 | - | 13,368,937 | (5,382,402) |
| Reversal of allowance for diminution in value of inventories | (24,210,234) | (50,048,463) | (25,000,000) | (46,000,000) |
| Gain on sales of equipment | (2,543,949) | (1,889,091) | (2,543,949) | (1,889,091) |
| Share of income from investment in associate | (4,363) | (18,042) | - | - |
| Unrealised exchange loss (gain) | (509,300) | 1,863,203 | (509,300) | 2,166,753 |
| Interest income | (873,089) | (3,746,195) | (872,373) | (3,744,212) |
| Interest expense | 2,641,416 | 540,948 | 2,641,416 | 540,948 |
| Income from operating activities before changes in operating assets and liabilities | 217,521,491 | 36,969,122 | 209,202,474 | 31,797,132 |
| Operating assets (increase) decrease | | | | |
| Trade accounts receivable – unrelated parties | 52,796,415 | (40,012,551) | 53,539,321 | (41,286,757) |
| Trade accounts receivable – related parties | 3,424 | 2,322 | 2,550,237 | 5,971,183 |
| Other account receivable – related party | - | - | 157,470 | (607,470) |
| Inventories | 157,277,809 | 107,216,172 | 160,411,530 | 104,837,566 |
| Other current assets | (2,048,148) | 3,483,690 | (2,045,035) | 3,485,722 |
| Other non-current assets | (1,743,177) | (5,733) | (1,743,177) | (5,734) |
| Operating liabilities increase (decrease) | | | | |
| Trade accounts payable – unrelated parties | (3,131,737) | (263,812) | (2,805,922) | (96,646) |
| Trade accounts payable – related parties | 13,223 | (83,559) | 17,307 | (64,470) |
| Accrued expenses | (7,018,586) | (10,164,026) | (6,944,113) | (10,303,981) |
| Other current liabilities | (2,231,760) | (17,100,297) | (2,391,964) | (17,000,509) |
| Other non-current liabilities | (107,536) | 466,088 | (107,536) | 466,088 |
| Cash flows from operating activities | 411,331,418 | 80,507,416 | 409,840,592 | 77,192,124 |
| Cash receipt for interest income | 1,090,316 | 3,724,982 | 1,089,600 | 3,722,999 |
| Cash paid for interest expense | (2,731,238) | (821,200) | (2,731,238) | (821,200) |
| Cash paid for withholding tax deducted at source | (15,996) | (20,724) | (15,989) | (20,703) |
| Net cash from operating activities | 409,674,500 | 83,390,474 | 408,182,965 | 80,073,220 |

The accompanying notes are an integral part of the financial statements.

Seafresh Industry Public Company Limited and its subsidiary
Cash flow statements (continued)
For the years ended 31 December 2009 and 2008

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|---|--|--------------|--------------------------------------|--------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Cash flows from investing activities | | | | |
| Decrease in restricted deposits at financial institutions | 155,875 | 7,871,723 | 155,875 | 7,871,723 |
| Cash receipt from short-term loans to a related party | - | - | 1,400,000 | 3,500,000 |
| Acquisition of plant and equipment | (17,517,372) | (40,958,115) | (17,467,372) | (40,882,140) |
| Proceeds from sales of equipment | 2,543,949 | 2,707,850 | 2,543,949 | 2,707,850 |
| Net cash used in investing activities | (14,817,548) | (30,378,542) | (13,367,548) | (26,802,567) |
| Cash flows from financing activities | | | | |
| Increase (decrease) in bank overdrafts and short-term loans | | | | |
| from financial institutions | (82,734,636) | 10,372,365 | (82,734,636) | 10,372,365 |
| Cash paid for treasury stock | - | (3,651,668) | - | (3,651,668) |
| Dividend paid | (106,443,725) | (68,632,880) | (106,443,725) | (68,632,880) |
| Net cash used in financing activities | (189,178,361) | (61,912,183) | (189,178,361) | (61,912,183) |
| Net increase (decrease) in cash and cash equivalents | 205,678,591 | (8,900,251) | 205,637,056 | (8,641,530) |
| Cash and cash equivalents at beginning of year | 44,419,771 | 53,320,022 | 44,331,086 | 52,972,616 |
| Cash and cash equivalents at end of year | 250,098,362 | 44,419,771 | 249,968,142 | 44,331,086 |
| Supplemental cash flows information | | | | |
| Non-cash transactions | | | | |
| Liabilities from purchases of equipment | 2,128,800 | 4,356,136 | 2,128,800 | 4,356,136 |

The accompanying notes are an integral part of the financial statements.

Seafresh Industry Public Company Limited and its subsidiary
Notes to consolidated financial statements
For the years ended 31 December 2009 and 2008

1. General information

1.1 Corporate information

Seafresh Industry Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in manufacture and distribution of frozen shrimp. Its registered address is 402 Moo 8, Chumphon – Paknam Road, Paknam, Muang, Chumphon 86120 and its branch is 152/25, Charter Square Building, 31st Floor, North Sathorn Road, Bangrak, Bangkok 10500.

1.2 Regulator about export to the United States of America

On 27 January 2005 the United States of America announced an anti-dumping rate of 5.95% for frozen shrimp exports from Thailand, and the US Customs Department issued regulations supporting such policy, whereby the required customs bond rates were increased. As a result the Company had to place a customs bond of USD 7.5 million with the US Customs Department, as disclosed in Note 25.3 to the financial statements. However, the US Customs Department has cancelled the requirement regarding a customs bond, effective from 1 April 2009, and applies the requirement regarding a customs bond pursuant to generally import. As a result, future customs bonds will be decreased significantly when compared with the obligations stipulated in the prior requirement which have been cancelled.

On 29 August 2008, the US Department of Commerce declared the result of the anti-dumping rate review for the 2nd import period, which is the period between 1 February 2006 and 31 January 2007. As a result the duty rate of Thailand was decreased from 5.95% to 3.18%, effective from 29 August 2008.

Subsequently, on 14 September 2009, the US Department of Commerce declared the result of the anti-dumping rate review for the 3rd import period, which is the period between 1 February 2007 and 31 January 2008. As a result the duty rate of Thailand was decreased from 5.95% to 4.71%, effective from 16 September 2009.

The Company may be entitled to a refund of excess duty paid during the period on the basis of this rate, if the US Department of Commerce does not review the duty rate again based on an appeal lodged with the court by another party.

2. Basis of preparation

- 2.1** The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

The financial statements in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Thai language financial statements.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies

2.2 Basis of consolidation

- a) The consolidated financial statements include the financial statements of Seafresh Industry Public Company Limited (“the Company”) and Seafresh Chitosan (Lab) Company Limited (“the subsidiary”) which is engaged in manufacture and distribution of chitin and chitosan. The Company’s shareholding in this subsidiary is 95.43%.
- b) Assets and revenues of the subsidiary include in the consolidated financial statements are of immaterial value.
- c) The subsidiary are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- d) The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
- e) Material balances and transactions between the Company and its subsidiary, investment in the subsidiary recorded in the Company’s accounts, and shareholders’ equity of the subsidiary have been eliminated from the consolidated financial statements

- 2.3 The separate financial statements, which present investments in subsidiary and associate presented under the cost method, have been prepared solely for the benefit of the public.

3. Adoption of new accounting standards

In June 2009, the Federation of Accounting Professions issued Notification No. 12/2552, assigning new numbers to Thai Accounting Standards that match the corresponding International Accounting Standards. The numbers of Thai Accounting Standards as referred to in these financial statements reflect such change.

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.

3.1 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 become effective for the financial statements for fiscal years beginning on or after 1 January 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) do not have any significant impact on the financial statements for the current year.

3.2 Accounting standards which are not effective for the current year

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

However, TAS 24 (revised 2007) and TAS 40 allow early adoption by the entity before the effective date.

The management of the Company has assessed the effect of these standards and believes that TAS 20 and TAS 40 are not relevant to the business of the Company, while TAS 24 (revised 2007) will not have any significant impact on the financial statements for the year in which it is initially applied.

4. Significant accounting policies

4.1 Revenue and expense recognition

Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Other income

Other income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Interest income

Interest income is recognised on an accrual basis based on the effective interest rate.

Export subsidies

Export subsidies received from the Ministry of Finance in the form of tax coupons are recognised when the Company obtains written notification of approval of the tax coupon.

Expenses

Expenses are recognised on an accrual basis.

4.2 Cash and cash equivalents

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

4.3 Trade accounts receivable

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging.

4.4 Inventories

Inventories are valued at the lower of cost (average basis) and net realisable value. Cost of finished goods and work in process includes direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal level of activity. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal, after making allowance for diminution in value of inventories.

Indirect materials and supplies are valued at the lower of cost (average basis) and net realisable value and expended whenever consumed.

4.5 Investments

- a) Investment in associate is accounted for in the consolidated financial statements using the equity method.
- b) Investments in subsidiary and associate are accounted for in the separate financial statements using the cost method.

4.6 Property, plant and equipment/Depreciation

Land is stated at cost. Buildings and equipment are stated at cost less accumulated depreciation and allowance for loss on impairment of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the following estimated useful lives.

| | | |
|---------------------------------------|---|----------|
| Buildings | - | 20 years |
| Machinery and facility systems | - | 10 years |
| Building improvement and other assets | - | 5 years |

No depreciation is provided on land and assets under construction.

Depreciation is included in determining income.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company and its subsidiaries. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are included in determining income.

4.7 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associates and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors, and officers with authority in the planning and direction of the Company's operations.

4.8 Foreign currencies

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

4.9 Impairment of assets

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

4.10 Treasury stock

Treasury stock is stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to the carrying amount and are presented as premium on treasury stock. Losses on disposal of treasury stock are determined by reference to the carrying amount and are presented in premium on treasury stock and retained earnings, consecutively.

4.11 Employee benefits

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred

4.12 Provisions

Provisions are recognised when the Company and its subsidiary have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.13 Income tax

Income tax is provided in the accounts based on taxable profits determined in accordance with tax legislation.

4.14 Derivatives

Forward exchange

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5. Significant accounting judgments and estimates

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

Leases

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgement regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

Allowance for doubtful accounts

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

Allowance for diminution in value of inventories

In determining an allowance for diminution in value of inventories, the management needs to make judgment in estimating the losses that will be incurred on the sale of the inventories, taking into account net realisable value, aging profile of outstanding inventories and the stock-keeping conditions, among other factors.

Property plant and equipment/Depreciation

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company's plant and equipment and to review estimate useful lives and salvage values when there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

6. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2009 and 2008, aged on the basis of due dates, are summarised below.

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|--|--|-------------|--------------------------------------|-------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Aged of receivables | | | | |
| Trade accounts receivable – unrelated parties | 70,026,016 | 109,143,067 | 69,026,016 | 108,908,173 |
| Not yet due | | | | |
| Past due | | | | |
| Up to 3 months | 44,291,812 | 47,392,769 | 44,291,812 | 47,370,569 |
| 3 – 6 months | 20,490,738 | 41,948,252 | 20,490,738 | 41,948,252 |
| 6 – 12 months | 1,339,060 | 4,221,225 | 1,339,060 | 4,221,225 |
| Over 12 months | 14,013,182 | 749,995 | 13,263,187 | - |
| Total | 150,160,808 | 203,455,308 | 148,410,813 | 202,448,219 |
| Less: Allowance for doubtful accounts | (14,749,995) | (749,995) | (14,000,000) | - |
| Trade accounts receivable – unrelated parties, net | 135,410,813 | 202,705,313 | 134,410,813 | 202,448,219 |
| Trade accounts receivable – related parties | | | | |
| Not yet due | - | 1,819 | 171,894 | 224,942 |
| Past due | | | | |
| Up to 3 months | - | 1,605 | 359,933 | 432,066 |
| 3 – 6 months | - | - | - | 693,179 |
| 6 – 12 months | - | - | - | 1,100,814 |
| Over 12 months | - | - | - | 631,063 |
| Total | - | 3,424 | 531,827 | 3,082,064 |
| Less: Allowance for doubtful accounts | - | - | - | (631,063) |
| Trade accounts receivable – related parties, net | - | 3,424 | 531,827 | 2,451,001 |

7. Related party transactions

The relationship between the Company and related parties can be summarised below.

| Name | Relationship |
|--|---------------------|
| Seafresh Chitosan (Lab) Company Limited | Subsidiary |
| Seafresh Katokichi Company Limited | Associate |
| Chartered Square Holding Company Limited | Common director |
| Thai K Boiler Company Limited | Common director |

During the years, the Company and its subsidiary had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | | <u>Transfer pricing policy</u> |
|---|--|-------------|--|-------------|--|
| | 2009 | 2008 | 2009 | 2008 | |
| <u>Transactions with subsidiary</u> | | | | | |
| (eliminated from consolidated financial statements) | | | | | |
| Sales of goods | - | - | 1,186,448 | 2,172,307 | Cost plus margin |
| Management fee income | - | - | 300,000 | | Baht 50,000 per month |
| Purchases of goods | - | - | - | 1,350,500 | Cost plus margin |
| <u>Transactions with related companies</u> | | | | | |
| Building rental expenses | 5,621,958 | 4,702,500 | 5,621,958 | 4,702,500 | Baht 418,000 - 470,250 per month (2008: Baht 365,750- 418,000 per month) |
| Purchases of machine | 1,390,000 | 7,040,000 | 1,390,000 | 7,040,000 | Cost plus margin |

As at 31 December 2009 and 2008, the balances of the accounts between the Company and those related parties are as follows:

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|--|--|-------------|--|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| <u>Trade accounts receivable – related parties</u> | | | | |
| Seafresh Chitosan (Lab) Company Limited | - | - | 531,827 | 3,078,640 |
| Thai K Boiler Company Limited | - | 3,424 | - | 3,424 |
| Total | - | 3,424 | 531,827 | 3,082,064 |
| Less: Allowance for doubtful accounts | - | - | - | (631,063) |
| Trade accounts receivable – related parties, net | - | 3,424 | 531,827 | 2,451,001 |
| <u>Other account receivable – related party</u> | | | | |
| Seafresh Chitosan (Lab) Company Limited | - | - | 450,000 | 607,740 |
| <u>Trade accounts payable – related parties</u> | | | | |
| Seafresh Chitosan (Lab) Company Limited | - | - | 10,504 | 6,420 |
| Chartered Square Holding Company Limited | 75,684 | 77,441 | 75,684 | 77,441 |
| Thai K Boiler Company Limited | 14,980 | - | 14,980 | - |
| Total | 90,664 | 77,441 | 101,168 | 83,861 |

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | <u>Separate financial statements</u> | |
|---|--|-------------|--|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| <u>Short-term loans to and interest receivable from a related party</u> | | | | |
| Seafresh Chitosan (Lab) Company Limited | | | | |
| Short-term loans | - | - | 37,523,406 | 38,923,406 |
| Less: Allowance for doubtful accounts | - | - | (20,000,000) | (20,000,000) |
| Short-term loans, net | - | - | 17,523,406 | 18,923,406 |
| Interest receivable | - | - | 38,595,548 | 38,595,548 |
| Less: Allowance for doubtful accounts | - | - | (38,595,548) | (38,595,548) |
| Interest receivable - net | - | - | - | - |
| Short-term loans and interest receivable, net | - | - | 17,523,406 | 18,923,406 |

Movements in the short-term loans to a related party during the years were as follows:

(Unit: Baht)

| | 2009 | 2008 |
|----------------------------------|-------------|-------------|
| Balance at the beginning of year | 38,923,406 | 42,423,406 |
| Repayment | (1,400,000) | (3,500,000) |
| Balance at the end of year | 37,523,406 | 38,923,406 |

The Company has not charged the interest on short-term loans to a related party, effective on 1 January 2004, because that company has the significant capital deficit. However, interest income has been calculated and added back in tax computation.

Guarantee obligations with related party

The Company has outstanding guarantee obligations with its related party, as described in Note 25.4 to the financial statements

8. Inventories

(Unit: Baht)

| | <u>Consolidated financial statements</u> | | | | | |
|---------------------|--|-------------|---|---------------|-----------------|-------------|
| | Cost | | Allowance of diminution in value of inventory -stock obsolescence | | Inventory - net | |
| | | | 2009 | 2008 | | |
| Finished goods | 821,037,929 | 968,241,989 | (129,630,430) | (153,840,664) | 691,407,499 | 814,401,325 |
| Work in process | 310,848 | 174,760 | - | - | 310,848 | 174,760 |
| Raw materials | 1,212 | 64,901 | - | - | 1,212 | 64,901 |
| Indirect materials | 3,720,534 | 3,862,051 | - | - | 3,720,534 | 3,862,051 |
| Packaging materials | 11,004,557 | 13,211,772 | - | - | 11,004,557 | 13,211,772 |
| Goods in transit | - | 7,797,416 | - | - | - | 7,797,416 |
| Total | 836,075,080 | 993,352,889 | (129,630,430) | (153,840,664) | 706,444,650 | 839,512,225 |

(Unit: Baht)

Separate financial statements

| | Cost | | Allowance of diminution in value of inventory –stock obsolescence | | Inventory – net | |
|---------------------|-------------|-------------|---|---------------|-----------------|-------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Finished goods | 810,716,714 | 961,256,066 | (125,000,000) | (150,000,000) | 685,716,714 | 811,256,066 |
| Work in process | 310,848 | 174,760 | - | - | 310,848 | 174,760 |
| Raw materials | 1,212 | 64,901 | - | - | 1,212 | 64,901 |
| Indirect materials | 3,632,562 | 3,640,329 | - | - | 3,632,562 | 3,640,329 |
| Packaging materials | 10,896,729 | 13,036,123 | - | - | 10,896,729 | 13,036,123 |
| Goods in transit | - | 7,797,416 | - | - | - | 7,797,416 |
| Total | 825,558,065 | 985,969,595 | (125,000,000) | (150,000,000) | 700,558,065 | 835,969,595 |

As at 31 December 2009 and 2008 the Company and its subsidiary had finished goods amounting to Baht 821 million and Baht 968 million, respectively, and parts of such inventories have already been in storage for some time. Therefore, the Company and its subsidiary set aside allowance for diminution in value of their inventories totaling Baht 130 million and Baht 154 million, respectively. The management believes that such allowances are adequate since the Company's inventory storage procedures meet industry standards.

9. Other current assets

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|---|-----------------------------------|-------------|-------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Account receivable – Revenue Department | 1,363,070 | 1,914,489 | 1,363,070 | 1,914,489 |
| Tax coupon receivable | 1,811,985 | 728,082 | 1,807,680 | 728,082 |
| Spare parts and supplies | 2,994,424 | 2,907,696 | 2,994,424 | 2,907,696 |
| Advances | 506,988 | 1,343,777 | 506,988 | 1,343,777 |
| Forward exchange contracts receivable | 1,081,775 | - | 1,081,775 | - |
| Other current assets | 2,300,917 | 1,334,194 | 2,280,359 | 1,312,444 |
| Total | 10,059,159 | 8,228,238 | 10,034,296 | 8,206,488 |

10. Restricted deposits at financial institutions

As at 31 December 2009 bank deposits amounting to Baht 42 million (2008: Baht 42 million) have been placed with several banks to secure credit facilities, and amounting to Baht 0.3 million (2008: Baht 0.4 million) represents employee guarantee deposits.

11. Investments in subsidiary and associate

11.1 These represent investments in ordinary shares in the following subsidiary and associate.

| Consolidated financial statements | | | | | | (Unit: Baht) | | |
|-----------------------------------|--------------------|-----------------|-----------------------|-------------|------|---------------------------------------|------|------|
| Company's name | Nature of business | Paid-up capital | Investment proportion | Investments | | Carrying value based on equity method | | |
| | | | | Cost | | | | |
| | | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008 |
| | | | | % | % | | | |

Investment in associate

Seafresh Katokichi

| | | | | | | | | | |
|-------------------------------|------------------|-----------|-----------|-------|-------|-----------|-----------|-----------|-----------|
| Company Limited | Not yet operated | 2,500,000 | 2,500,000 | 49.00 | 49.00 | 1,225,000 | 1,225,000 | 1,762,363 | 1,758,000 |
| Total investment in associate | | | | | | 1,225,000 | 1,225,000 | 1,762,363 | 1,758,000 |

| Separate financial statements | | | | | | (Unit: Baht) | | |
|---|---|-----------------|-------------|-----------------------|-------|---------------------|---------------|------|
| Company's name | Nature of business | Paid-up capital | | Investment proportion | | Investments at cost | | |
| | | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2008 |
| | | | | % | % | | | |
| Investment in subsidiary | | | | | | | | |
| Seafresh Chitosan (Lab) Company Limited | Manufacture and distribution of chitin and chitosan | 140,000,000 | 140,000,000 | 95.43 | 95.43 | 133,600,000 | 133,600,000 | |
| Less: Allowance for diminution in value of investment | | | | | | (133,600,000) | (133,600,000) | |
| Investment in subsidiary - net | | | | | | - | - | |
| Investment in associate | | | | | | | | |
| Seafresh Katokichi Company Limited | Not yet operated | 2,500,000 | 2,500,000 | 49.00 | 49.00 | 1,225,000 | 1,225,000 | |
| Total investment in associate | | | | | | 1,225,000 | 1,225,000 | |

11.2 Summarised financial information of associate

(Unit: Thousand Baht)

| Company's name | Total assets as at 31 December | | Total liabilities as at 31 December | | Total revenues for the year ended 31 December | | Net income for the year ended 31 December | |
|------------------------------------|--------------------------------|-------|-------------------------------------|------|---|------|---|------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Seafresh Katokichi Company Limited | 3,613 | 3,619 | 17 | 31 | 16 | 65 | 3 | 31 |

12. Property, plant and equipment

(Unit: Baht)

| Consolidated financial statements | | | | | | | | | |
|---|---|-------------|---------------------|---------------------------------------|--------------------------------------|-------------------|---------------------------------|---------------|--|
| | Buildings and building Land improvement | | Facility systems | Machinery and factory equipment | Furniture and office equipment | Motor vehicles | Assets under construction | Total | |
| Cost | | | | | | | | | |
| 31 December 2008 | 73,189,639 | 362,056,086 | 165,278,500 | 409,378,525 | 49,384,030 | 50,941,118 | 12,482,560 | 1,122,710,458 | |
| Additions | - | - | 1,674,425 | 3,063,474 | 1,110,665 | 5,383,500 | 8,414,108 | 19,646,172 | |
| Transfers in (out) | - | 6,769,330 | 3,448,256 | 9,400,748 | 322,449 | - | (19,940,783) | - | |
| Disposals | - | (219,846) | (760,609) | (34,613,347) | (1,439,299) | (8,588,860) | - | (45,621,961) | |
| 31 December 2009 | 73,189,639 | 368,605,570 | 169,640,572 | 387,229,400 | 49,377,845 | 47,735,758 | 955,885 | 1,096,734,669 | |
| Accumulated depreciation | | | | | | | | | |
| 31 December 2008 | - | 248,177,897 | 148,178,085 | 311,143,431 | 44,631,798 | 32,588,661 | - | 784,719,872 | |
| Depreciation for the year | - | 17,849,623 | 3,122,265 | 17,537,824 | 1,784,732 | 5,245,994 | - | 45,540,438 | |
| Depreciation on disposals | - | (219,835) | (760,594) | (34,286,667) | (1,435,567) | (8,588,852) | - | (45,291,515) | |
| 31 December 2009 | - | 265,807,685 | 150,539,756 | 294,394,588 | 44,980,963 | 29,245,803 | - | 784,968,795 | |
| Allowance for impairment loss | | | | | | | | | |
| 31 December 2008 | - | 11,497,447 | 3,997,326 | 12,637,116 | - | - | - | 28,131,889 | |
| 31 December 2009 | - | 11,497,447 | 3,997,326 | 12,637,116 | - | - | - | 28,131,889 | |
| Net book value | | | | | | | | | |
| 31 December 2008 | 73,189,639 | 102,380,742 | 13,103,089 | 85,597,978 | 4,752,232 | 18,352,457 | 12,482,560 | 309,858,697 | |
| 31 December 2009 | 73,189,639 | 91,300,438 | 15,103,490 | 80,197,696 | 4,396,882 | 18,489,955 | 955,885 | 283,633,985 | |
| Depreciation for the year | | | | | | | | | |
| 2008 (Baht 33 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | | 40,308,725 | |
| 2009 (Baht 36 million included in manufacturing cost, and the balance in selling and administrative expenses) | | | | | | | | 45,540,438 | |

(Unit: Baht)

Separate financial statements

| | Separate financial statements | | | | | | | |
|----------------------------------|---|---------------------|---------------------------------------|--------------------------------------|-------------------|---------------------------------|--------------|---------------|
| | Buildings and building Land improvement | Facility systems | Machinery and factory equipment | Furniture and office equipment | Motor vehicles | Assets under construction | Total | |
| Cost | | | | | | | | |
| 31 December 2008 | 73,189,639 | 324,933,105 | 149,509,073 | 354,437,486 | 49,045,097 | 50,941,118 | 12,482,560 | 1,014,538,078 |
| Additions | - | - | 1,674,425 | 3,013,474 | 1,110,665 | 5,383,500 | 8,414,108 | 19,596,172 |
| Transfers in (out) | - | 6,769,330 | 3,448,256 | 9,400,748 | 322,449 | - | (19,940,783) | - |
| Disposals | - | (219,846) | (760,609) | (34,613,347) | (1,439,299) | (8,588,860) | - | (45,621,961) |
| 31 December 2009 | 73,189,639 | 331,482,589 | 153,871,145 | 332,238,361 | 49,038,912 | 47,735,758 | 955,885 | 988,512,289 |
| Accumulated depreciation | | | | | | | | |
| 31 December 2008 | - | 231,526,819 | 136,406,014 | 269,041,462 | 44,314,738 | 32,588,661 | - | 713,877,694 |
| Depreciation for the year | - | 16,783,922 | 3,122,265 | 17,480,953 | 1,777,832 | 5,245,994 | - | 44,410,966 |
| Depreciation on disposals | - | (219,835) | (760,594) | (34,286,667) | (1,435,567) | (8,588,852) | - | (45,291,515) |
| 31 December 2009 | - | 248,090,906 | 138,767,685 | 252,235,748 | 44,657,003 | 29,245,803 | - | 712,997,145 |
| Net book value | | | | | | | | |
| 31 December 2008 | 73,189,639 | 93,406,286 | 13,103,059 | 85,396,024 | 4,730,359 | 18,352,457 | 12,482,560 | 300,660,384 |
| 31 December 2009 | 73,189,639 | 83,391,683 | 15,103,460 | 80,002,613 | 4,381,909 | 18,489,955 | 955,885 | 275,515,144 |

Depreciation for the year

| | |
|---|-------------------|
| 2008 (Baht 29 million included in manufacturing cost, and the balance in selling and administrative expenses) | <u>39,174,987</u> |
| 2009 (Baht 35 million included in manufacturing cost, and the balance in selling and administrative expenses) | <u>44,410,966</u> |

As at 31 December 2009, certain building and equipment items have been fully depreciated but are still in use. The original cost of those assets amounted to Baht 502.9 million (2008: Baht 524.5 million) in the consolidated financial statements, and Baht 432.5 million (2008: Baht 454 million) in the separate financial statements.

13. Bank overdrafts and short-term loans from financial institutions

(Unit: Baht)

| | Interest rate (percent per annum) | Consolidated financial statements | | Separate financial statements | |
|-----------------|--------------------------------------|--------------------------------------|------------|----------------------------------|------------|
| | | 2009 | 2008 | 2009 | 2008 |
| Packing credits | 3.55 - 4.17 | - | 50,000,000 | - | 50,000,000 |
| Bank overdrafts | 2.00 - 2.25 | 46,456 | 32,781,092 | 46,456 | 32,781,092 |
| Total | | 46,456 | 82,781,092 | 46,456 | 82,781,092 |

Overdrafts and partial packing credits are secured by fixed deposits of the Company as discussed in Note 10 to the financial statements.

14. Share capital and warrants

On 4 January 2007, the Company issued 21,448,000 warrants (ESOP warrants) to subscribe to the Company's ordinary shares, to be allotted to directors and employees of the Company at Baht 0 per unit. These 4-year warrants, expiring on 4 January 2011 have an exercise ratio of 1 warrant to 1 new ordinary share and the exercise price is Baht 3 per share, with the first exercise date being 4 January 2008. The exercise periods are as follows:

- In the first year, no more than one-third of the total number of warrants any individual received from the Company.
- In the second year, no more than an additional one-third of the total number of warrants any individual received from the Company.
- In the third year, all remaining warrants.

The ESOP warrants are not listed on the Stock Exchange of Thailand.

On 18 May 2006, the Company registered the increase in its share capital with the Ministry of Commerce, by issuing an additional 21,448,000 ordinary shares with a par value of Baht 1 each to support the exercise of the ESOP warrants.

As at 31 December 2009, there are 15.8 million outstanding warrants to subscribe to the Company's ordinary shares because warrant holders who are no longer directors and employees of the Company are not able to exercise the 5.6 million warrants they held, in accordance with the Company's policy.

During the years ended 31 December 2009 and 2008, no directors or employees exercised warrants.

15. Statutory reserve

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside to statutory reserve at least 5% of net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

As at 31 December 2009, the Company had set aside the statutory reserve of Baht 0.5 million from its net income for the year 2009 (2008: Baht 2.3 million).

16. Treasury stock and treasury stock reserve

| | Consolidated financial statements/ Separate financial statements | |
|--|---|-----------|
| | 2009 | 2008 |
| Value of treasury stock (Baht) | 3,651,668 | 3,651,668 |
| Number of treasury stock (Shares) | 3,180,000 | 3,180,000 |
| Average cost per share (Baht) | 1.15 | 1.15 |
| The percentage of number of treasury stock to the share capital issued by the Company | 0.74 | 0.74 |

On 23 June 2008, a meeting of the Company's Board of Directors approved a resolution to repurchase the Company's ordinary shares, in order to manage excess liquidity. The details are as follows:

- a) The maximum budget for the share repurchase plan is Baht 86 million.
- b) The number of shares to be repurchased is not to exceed 42,897,500 shares at par value of Baht 1 per share, equal to 10% of the total issued shares.
- c) The period for the share repurchase is 9 July 2008 to 8 January 2009.
- d) The procedure and period for the resale of the shares will be determined by the Company's Board of Directors at least 6 months but not more than 3 years after the date of completion of the share repurchase.

The treasury stock carries no voting rights and no rights to receive dividend.

According to the Public Limited Companies Act (No.2) B.E. 2544, Treasury Stock Rules, any company repurchases its shares has to dispose all of the repurchased shares within a 3-year period commencing from the date of share repurchase completion. If the Company does not dispose the treasury stock within the 3-year period, the Company has to reduce its paid-up share capital to offset with the treasury stock.

As at 31 December 2009, the Company's treasury stock amounting to Baht 3.6 million, was presented as a deduction item in shareholders' equity. This amount is presented under the cost method. As at 31 December 2009, the market price of the treasury stock which is based on the closing price quoted on the Stock Exchange of Thailand on the last day of year, was approximately Baht 12 million.

Under the notification of the Office of the Securities and Exchange Commission No. Gor. Lor. Tor. Chor. Sor. (Wor.) 2/2548 and the notification of the Federation of Accounting Professions No. Sor. Sor. Wor. Bor. Chor. 016/2548 public companies buying back their own shares (treasury shares) must have retained earnings in an amount not less than the outstanding balance of the treasury shares, and if retained earnings are appropriated for dividend payment, the balance of retained earnings remaining after such payment must likewise be no less than the balance of the treasury shares. The Company set aside an amount from retained earnings equal to the cost of the treasury stock to a separate reserve account with such reserve to remain outstanding until either the shares are sold or paid-up capital is reduced by the cancellation of any remaining unsold shares. As at 31 December 2009 and 2008, the Company has set aside approximately Baht 3.6 million, with the Company recording the reserve as "Appropriated - treasury stock reserve" in the balance sheet.

17. Other income

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|----------------------------------|--------------------------------------|------------|----------------------------------|------------|
| | 2009 | 2008 | 2009 | 2008 |
| Income from sales of by products | 8,796,359 | 6,734,501 | 9,982,806 | 8,906,807 |
| Income from sales of scrap | 1,432,027 | 2,249,936 | 1,432,027 | 2,249,936 |
| Late payment penalty income | 2,212,909 | 42,546 | 2,212,909 | 42,546 |
| Export subsidies | 4,162,274 | 3,980,258 | 4,157,970 | 3,974,203 |
| Insurance recovery | - | 6,245,811 | - | 6,245,811 |
| Interest income | 873,089 | 3,746,195 | 872,373 | 3,744,212 |
| Gain on sales of equipment | 2,543,949 | 1,889,091 | 2,543,949 | 1,889,091 |
| Others | 2,053,915 | 2,103,202 | 2,353,915 | 2,113,723 |
| Total | 22,074,522 | 26,991,540 | 23,555,949 | 29,166,329 |

18. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Baht)

| | <u>Consolidated</u> <u>financial statements</u> | | <u>Separate</u> <u>financial statements</u> | |
|--|--|---------------|--|---------------|
| | 2009 | 2008 | 2009 | 2008 |
| Salary and wages and other employee benefits | 203,969,374 | 224,321,621 | 203,023,152 | 223,214,472 |
| Depreciation | 45,540,438 | 40,308,725 | 44,410,966 | 39,174,987 |
| Exchange loss | 13,565,542 | 2,965,541 | 13,563,043 | 2,961,044 |
| Rental expenses | 5,791,345 | 5,324,039 | 5,791,345 | 5,324,039 |
| Warehouse expenses | 10,445,602 | 12,793,970 | 10,445,602 | 12,793,970 |
| Logistic expenses | 68,096,584 | 64,067,168 | 68,055,999 | 63,948,316 |
| Electricity and water expenses | 58,979,773 | 57,242,317 | 57,902,230 | 55,870,532 |
| Wage hire of work | 35,430,631 | 21,826,993 | 35,430,631 | 21,826,993 |
| Maintenance expenses | 17,093,120 | 36,125,540 | 16,876,481 | 35,756,800 |
| Raw materials and consumables used | 1,313,621,914 | 1,134,956,603 | 1,310,048,615 | 1,124,565,072 |
| Changes in inventories of finished goods and work in progress | 147,067,972 | 112,230,002 | 150,403,264 | 110,037,908 |
| Allowance for doubtful accounts (reversal) | 14,000,000 | - | 13,386,937 | (5,382,402) |
| Reversal of allowance for diminution in value of inventories | (24,210,234) | (50,048,463) | (25,000,000) | (46,000,000) |

19. Earnings per share

Basic earnings per share is calculated by dividing net income for the year by the weighted average number of ordinary shares in issue during the year net of treasury stock held by the Company.

Diluted earnings per share is calculated by dividing net income for the year by the sum of the weighted average number of ordinary shares in issue during the year net of treasury stock held by the Company and the weighted average number of ordinary shares which would need to be issued to convert all dilutive potential ordinary shares into ordinary shares. The calculation assumes that the conversion took place either at the beginning of the year or on the date the potential ordinary shares were issued.

No calculation for diluted earnings per share from warrants for the years 2009 and 2008 because the warrants are exclude from the potential ordinary shares since their exercise price is in excess of the weighted average fair value of the Company's ordinary shares.

20. Dividends

(Unit: Baht)

| <u>Dividends</u> | <u>Approved by</u> | <u>Total</u> <u>dividends</u> | <u>Dividend</u> <u>per share</u> |
|--------------------------|--|----------------------------------|-------------------------------------|
| Final dividends for 2007 | Annual General Meeting of the shareholders on 28 April 2008 | <u>68,632,880</u> | <u>0.16</u> |
| Final dividends for 2008 | Annual General Meeting of the shareholders on 23 April 2009 | <u>106,443,725</u> | <u>0.25</u> |

21. Corporate income tax

Corporate income tax of the Company has been calculated at the rate of 25% on net income from the non-promoted activities, after adding back certain expenses and provisions which are disallowable for tax computation purposes.

The Company and its subsidiary are not liable to corporate income tax for the years 2009 and 2008 due to tax loss brought forward.

22. Provident fund

The Company and its employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company contributed to the fund monthly at the rate of 3% and 5%, respectively, of their basic salaries. The fund, which is managed by Bank of Ayudhya Public Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2009, the Company contributed Baht 3.9 million (2008: Baht 4.3 million) to the fund.

23. Promotional privileges

The Company has been granted various promotional privileges by the Board of Investment under the Investment Promotion Act. B.E. 2520, for the manufacture and distribution of frozen seafood, and frozen processed and semi-processed seafood products. Subject to certain imposed conditions, the privileges granted under the Company's promotion certificates include the following:

- a) Permission to own land in order to carry on the promoted activities, as deemed appropriate by the Board of Investment.
- b) Exemption from import duty on machinery imported for use in production, as approved by the Board.
- c) Exemption from corporate income tax on net profit for a period of eight years commencing as from the date of first earning income from the promoted operation.
- d) Exemption from income tax on dividends paid from the profit of the promoted operation, for a period of eight years.
- e) An allowance of fifty percent of the normal rate of corporate income tax on net profit for a period of five years after the expiry date of the corporate income tax exemption period as described in c).
- f) Permission to deduct costs of installation or construction of public utilities at the rate of twenty-five percent in addition to normal depreciation charges.
- g) Five percent of any increment in export income over that of the preceding year is additionally deductible from taxable income for a period of ten years commencing as from the date of first earning operating income (except under certificates No. 1739(3)/2550 and 1740(2)/2550).
- h) Permission to double deduct the costs of transportation, electricity and water supply for corporate income tax purposes, for a period of ten years commencing as from the date of first earning operating income (except under certificates No. 1739(3)/2550 and 1740(2)/2550).

Details of the promotion certificates are as follows:

| <u>Certificate No.</u> | <u>Certificate's date</u> | <u>Date of first earning operating income</u> |
|------------------------|---------------------------|--|
| 1498/2543 | 23 August 2000 | 7 July 2003 |
| 1739(3)/2550 | 4 June 2007 | The Company had no revenue from its promoted operations. |
| 1740(2)/2550 | 20 June 2007 | The Company had no revenue from its promoted operations. |

The Company's operating results for the years are below shown divided according to promoted and non-promoted operations.

| | Separate financial statements (Unit: Baht) | | | | | |
|--|--|-------------------------|---------------|---------------------|-------------------------|---------------|
| | 2009 | | | 2008 | | |
| | Promoted operations | Non-Promoted operations | Total | Promoted operations | Non-Promoted operations | Total |
| Revenues | | | | | | |
| Sales | 1,676,946,202 | 475,424,356 | 2,152,370,558 | 1,350,772,662 | 387,095,383 | 1,737,868,045 |
| Export subsidies | 3,238,768 | 919,202 | 4,157,970 | 3,074,047 | 900,156 | 3,974,203 |
| Interest income | 266,198 | 606,175 | 872,373 | 1,369,133 | 2,375,079 | 3,744,212 |
| Other income | 11,505,720 | 7,019,886 | 18,525,606 | 14,487,011 | 6,960,903 | 21,447,914 |
| Total revenues | 1,691,956,888 | 483,969,619 | 2,175,926,507 | 1,369,702,853 | 397,331,521 | 1,767,034,374 |
| Expenses | | | | | | |
| Cost of sales | 1,379,347,366 | 403,036,270 | 1,782,383,636 | 1,156,073,958 | 381,633,164 | 1,537,707,122 |
| Selling expenses | 113,040,190 | 32,050,543 | 145,090,733 | 114,808,775 | 32,893,238 | 147,702,013 |
| Administrative expenses | 52,727,751 | 14,950,019 | 67,677,770 | 50,182,215 | 14,377,433 | 64,559,648 |
| Management benefit expenses | 6,408,877 | 1,817,123 | 8,226,000 | 7,400,820 | 2,120,369 | 9,521,189 |
| Exchange loss | 10,566,967 | 2,996,076 | 13,563,043 | 2,301,619 | 659,425 | 2,961,044 |
| Reversal of allowance for diminution in value of inventories | (19,477,500) | (5,522,500) | (25,000,000) | (35,755,800) | (10,244,200) | (46,000,000) |
| Finance cost | 5,149,067 | 1,459,927 | 6,608,994 | 3,248,724 | 930,774 | 4,179,498 |
| Total expenses | 1,547,762,718 | 450,787,458 | 1,998,550,176 | 1,298,260,311 | 422,370,203 | 1,720,630,514 |
| Net income (loss) for the year | 144,194,170 | 33,182,161 | 177,376,331 | 71,442,542 | (25,038,682) | 46,403,860 |

24. Segment information

The operations of the Company and its subsidiary principally involve the productions, distributions and export of frozen shrimp products, and these activities are carried on mainly in Thailand. The Company and its subsidiary have income from both domestic and export sales. Business segment information of the Company and its subsidiary for the years ended 31 December 2009 and 2008 are as follows:

| (Unit: Thousand Baht) | | | | | | | | |
|---|-----------|-----------|---------|--------|-------------|---------|-----------|-----------|
| | Export | | Domesti | | Elimination | | Total | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues from sales | 2,126,956 | 1,715,306 | 47,538 | 54,596 | (1,186) | (3,523) | 2,173,308 | 1,766,379 |
| Segment income | 359,612 | 198,172 | 18,966 | 16,843 | - | - | 378,578 | 215,015 |
| Unallocated income (expenses): | | | | | | | | |
| Other income | | | | | | | 9,116 | 16,277 |
| Selling expenses | | | | | | | (145,139) | (147,833) |
| Administrative expenses | | | | | | | (68,784) | (70,404) |
| Management benefit expenses | | | | | | | (8,226) | (9,521) |
| Reversal of allowance for diminution in value of inventories | | | | | | | 24,210 | 50,048 |
| Share of income from investment in associate | | | | | | | 4 | 18 |
| Finance cost | | | | | | | (6,609) | (4,179) |
| Net income | | | | | | | 183,150 | 49,421 |

Transfer prices between business segments are set out in Note 7 to the financial statements.

25. Commitments and contingent liabilities

25.1 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space and equipment. The terms of the agreements are generally between 1 and 4 years.

As at 31 December 2009, future minimum lease payments required under these non-cancellable operating leases contracts of office building space with a related party amounted to Baht 9.1 million (2008: Baht 14.4 million) and leases contracts of other buildings and equipment amounted to Baht 0.1 million (2008: Baht 0.1 million).

25.2 Capital commitments

As at 31 December 2009, the Company has no capital commitments in respect of building renovation and purchases of equipment (2008: Baht 3.2 million).

25.3 Bank guarantees

| | 2009 | 2008 |
|---|------------------|------------------|
| The Company | | |
| US Customs bond | USD 7.5 million | USD 7.4 million |
| Electricity guarantee | Baht 5.5 million | Baht 5.5 million |
| Import – export guarantee – Customs Dept. | Baht 5.0 million | Baht 5.0 million |
| The subsidiary | | |
| Electricity guarantee | Baht 0.1 million | Baht 0.1 million |

25.4 Guarantees issued by the Company

As at 31 December 2009 and 2008, the Company has the contingent liabilities in respect of guarantees of loans and credit facilities provided to subsidiary totaling Baht 129,000.

26. Financial instruments

26.1 Financial risk management

The Company and its subsidiary's financial instruments, as defined under Thai Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable and payable, lending and borrowing. The financial risks associated with these financial instruments and how they are managed are described below.

Credit risk

The Company and its subsidiary are exposed to credit risk primarily with respect to trade accounts receivable and loans. The Company and its subsidiary manage the risk by adopting appropriate credit control policies and procedures and therefore does not expect to incur material financial losses. In addition, the Company and its subsidiary do not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans as stated in the balance sheet.

Interest rate risk

The Company and its subsidiary's exposure to interest rate risk relates primarily to its cash at banks, bank overdrafts and short-term borrowings. However, since most of the Company and its subsidiary's financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Foreign currency risk

The Company exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company seeks to reduce this risk by entering into forward exchange contracts when it considers appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2009 are summarised below.

| <u>Foreign currency</u> | <u>Financial assets</u> | <u>Financial liabilities</u> | <u>Average exchange rate as at 31 December 2009</u> (Baht per 1 foreign currency unit) |
|-------------------------|-------------------------|------------------------------|---|
| Euro | - | 3,788 | 47.79 |
| Pond sterling | 88,012 | - | 53.03 |
| US dollar | 6,074,123 | 76,161 | 33.37 |

Foreign exchange contracts outstanding at 31 December 2009 are summarised below.

| <u>Foreign currency</u> | <u>Sold amount</u> | <u>Sold Contractual exchange rate</u> (Baht per 1 foreign currency unit) |
|-------------------------|--------------------|---|
| US dollar | 12,839,226 | 33.22 - 33.66 |

26.2 Fair values of financial instruments

Since the majority of the Company and its subsidiary's financial instruments are short-term in nature and loans from financial institutions bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

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.

According to the balance sheet as at 31 December 2009, the Group's debt-to-equity ratio was 0.03:1 (2008: 0.11:1) and the Company's was 0.03:1 (2008: 0.11:1).

28. Subsequent events

28.1 In January 2010, directors and employees exercised warrants to purchase 7,522,000 ordinary shares at an exercise price of Baht 3 per share or a total of Baht 22.6 million. The Company registered the increase in issued and paid-up share capital with the Ministry of Commerce on 19 January 2010.

The Stock Exchange of Thailand (SET) has approved the listing of the issued ordinary shares on the SET, with trading permitted to commence from 22 January 2010.

28.2 On 25 February 2010, the meeting of the Company's Board of Directors No. 2/2553 passed a resolution to propose the payment of a dividend of Baht 0.41 per share, or a total of Baht 177.70 million, to be paid within 7 May 2010 for approval by the Annual General Meeting of the Company's shareholders, which will be held on 23 April 2010.

29. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2008 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:

(Unit: Baht)

| | Consolidated financial statements | | Separate financial statements | |
|--|--------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| | <u>As reclassified</u> | <u>As previously reported</u> | <u>As reclassified</u> | <u>As previously reported</u> |
| Selling expenses | 147,833,124 | 152,561,494 | 147,702,013 | 152,430,384 |
| Administrative expenses | 70,403,783 | 73,833,298 | 64,559,648 | 73,383,242 |
| Management benefit expenses | 9,521,189 | - | 9,521,189 | - |
| Exchange loss | 2,965,541 | - | 2,961,044 | - |
| Reversal of allowance for diminution in value of inventories | (50,048,463) | - | (46,000,000) | - |
| Other expenses | - | (47,082,922) | - | (48,421,358) |
| Finance cost | 4,179,498 | 5,542,802 | 4,179,498 | 5,531,124 |

30. Approval of financial statements

These financial statements were authorised for issue by the Board of Directors on 25 February 2010



resh

Seafresh Industry

Public Company Limited

บริษัท ซีเฟรชอินดัสตรี จำกัด (มหาชน)



Seafresh Industry

Public Company Limited

Factory : 402 Moo 8, Chumphon-Paknam Road, Tambol Paknam,
Amphur Muang, Chumphon 86120 Thailand
Tel. (077) 521321-3 Fax (077) 521007

Office : 31st Fl.,Chartered Square Bldg., 152/25 North Sathon Road,
Silom, Bangrak, Bangkok 10500 Thailand
Tel. 66-2-6378888 Fax 66-2-6378801

โรงงาน : 402 หมู่ 8 ถนนชุมพร-ปากน้ำ ตำบลปากน้ำ อำเภอเมือง จังหวัดชุมพร 86120 ประเทศไทย
โทรศัพท์ (077) 521321-3 โทรสาร (077) 521007

สำนักงาน : 152/25 อาคารชาเตอร์สแควร์ ชั้น 31 ถนนสาทรเหนือ แขวงสีลม เขตบางรัก กรุงเทพฯ 10500 ประเทศไทย
โทรศัพท์ 02-637-8888 โทรสาร 02-637-8801



www.seafresh.com E-mail : seafresh@seafresh.com