

Part 1

Business Performance

1. Policy and overall business performance

Chiangmai Frozen Foods Public Company Limited conducts business of producing and distributing frozen vegetables such as Frozen Soy Beans, Frozen Green Beans, Frozen Sweet Corns, Frozen Baby Corns chiefly, having overseas market distribution (include subsidiary company) more than 99%.

1.1 Association philosophy, Visibility, Mission, Ideal and Business Target

Association philosophy

Maximum satisfaction of the customers is the maximum aspiration of us.

Visibility

We intend to develop for leadership sake in frozen agriculture products.

Mission

- The Company intends to develop and select vegetables of quality, clean, free from chemical and deliver the products quickly as required by the customers.
- The Company intends to make a good investment return by seizure the principle of good corporate governance.

Ideal

- Shall treat toward the shareholders and ever group of stakeholders with equally and fair.
- Shall always think of risk and manage the risk appropriately.
- Shall create leadership to occur in every level of personal, promote to incur good working atmosphere with happy and safety in working.
- Shall create good relationship with society, community and intend to maintain environment.
- Shall create organization of quality and intend to reach an organization of learning.
- Shall resist every form of misconduct and corruption.
- Shall not violate and not support any activities that violate human rights.

Business target

- Maintain the product quality always in standard.
- Always strive to produce the goods to meet consumer requirement.
- Seek the business expansion channel for maximum advantage to every stakeholder.
- Fairly conduct business, not ruin an environment and promote of living together with good relationship between company and community.

1.2 Change and development significant

Nov. 1988	Established a company with register capital 50 million baht with par value 10 baht per share.
Apr. 1989	Built 1 st plant at Nongjom, Sansai, Chiangmai on area 15 rais 36.6 square wahs and finished in Oct. 1989
Feb. 1990	Started earning income from the operation.
Dec. 1991	Increased register capital from 50 million baht to be 125 million baht.
Jan. 1993	Permitted from The Stock Exchange of Thailand to be as register securities.
Jan. 1993	Started buying-selling shares in The Stock Exchange of Thailand under the name "CM"
Feb. 1994	Changed from company limited into Public Company Limited
Mar. 1994	Built 2 nd plant at Maefagmai, Sansai, Chiangmai on area 26 rais 29.9 square wahs, finished and started producing in Oct. 1995
Nov. 1998	Increased register capital from 125 million baht to be 210 million baht.
Apr. 2003	Joint investment with River Kway International Co., Ltd. in ratio 51:49 in Agrifood Processing Co., Ltd. with capital invested 120 million baht, paid-up 30 million baht.
Mar. 2004	Built cold storage at Maefagmai, Sansai, Chiangmai on area 8 rais 3 ngans 97 square wahs and finished in Jul. 2005
Jul. 2004	Bought capital investment in Agrifood Processing Co., Ltd. from River Kway International Co., Ltd. increased from 51% to 100%.
May. 2005	Increased register capital from 210 million baht to be 315 million baht.
May. 2005	Changed par value from original par value 10 baht per share to be 1 baht per share.
May. 2007	Increased register capital from 315 million baht to be 346 million baht.
May. 2009	Increased register capital from 346 million baht to be 381 million baht.
Aug. 2014	Feasibility study in Land procurement and establish subsidiary company in The Republic of the Union of Myanmar.
Dec. 2014	From December 2014 onward, the company proceeded an exportation of Frozen Sweet Corns to over sea directly without passing Agrifood Processing Co., Ltd., (subsidiary company)

Previous year in controlling company power

No change on controlling power

Previous year of performance business character

No change on performance business character

Change on holding share Structure, Management or Business performance in previous 3 years

- As at December 26, 2013, Itochu Corporation held amount 50,440,665 shares and Itochu (Thailand) Ltd. held amount 25,789,335 shares total amount 76,230,000 shares or come to 20% had sold all holding shares to the following details.

Name of Purchasers	Securities held before acquisition		Securities acquired		Securities held after acquisition		Relations
	Number of shares	%	Number of shares	%	Number of shares	%	
1.Northern Agricultural Co., Ltd.	66,755,700	17.51	16,770,400	4.40	83,526,100	21.91	None
2.Mrs.Pornthip Ratanaamornpin	-	-	12,000,000	3.15	12,000,000	3.15	None
3.Mr.Supuck Pataratirakul	-	-	11,434,500	3.00	11,434,500	3.00	None
4.Mr.Supoj Wongjirattikarn	912,649	0.24	8,328,500	2.18	9,241,149	2.42	None
5.Mr.Prasert Trichakraphop	100,000	0.03	7,623,000	2.00	7,723,000	2.03	None
6.Ms.Kornwika Vongsariyavanich	-	-	7,384,000	1.94	7,384,000	1.94	None
7.Mr.Chatree Laowanichwith	-	-	7,353,600	1.93	7,353,600	1.93	None
8.Mr.Thanit Vachareeyanukul	-	-	5,336,000	1.40	5,336,000	1.40	None
Total	67,768,349	17.78	76,230,000	20.00	143,998,349	37.78	

Important incident in 2014

- The Company returned buying tax that had no rights to ask for along with penalty and added money total amount 11,549,250.80 baht.

1.3 Shareholding structure of the company group

Division policy of company operation in group

1	Northern Agricultural Co., Ltd.	<p>Is a company whose conducts business in agriculture which is not related with the main business of the company and no interrelated cross shareholding in which Mr. Prayoon Pholpipattanaphong is a major shareholder by 30% and is a shareholder in the company amount 306,517 shares come to 0.08%</p> <p>Northern Agricultural Co., Ltd., holds the share in the company amount 66,755,700 shares come to 17.51% Later, on December 26, 2013 Northern Agricultural Co., Ltd., bought the shares from Itochu Group amount 16,770,400 shares come to 4.40% made at December 31, 2013 held total share in the company 83,526,100 shares come to 21.91%</p>
2	Itochu Group	<p>Is a company whose conducts business of buying-selling, having branches all over the world comprising: Itochu Corporation hold amount share 50,440,665 shares come to 13.23% and Itochu (Thailand) Ltd. Holds amount shares 25,789,335 shares come to 6.77%, having one representative namely Mr. Kenichi Tai, is an representative to distribute goods to the company and has received commission from selling. Later, on December 26, 2013 Itochu Group sold all holding share amount 76,230,000 shares or come to 20%</p>

1.4 Relationship with business group of main shareholder

Northern Agricultural Co., Ltd. having Mr. Prayoon Pholpipattanaphong as a major shareholder by 30% and performs duty as Chairman of Chiangmai Frozen Foods Public Company Limited. The Business Operation of the company with the business group of major shareholder has no conflict of interest and no interrelated cross shareholding.

Itochu Corporation Conducts business of buying and selling, having branches all over the world, is an representative of distributing goods of the company and has received commission from selling having one representative director namely Mr. Kenichi Tai and the company still sells the goods through Itochu Corporation owing Itochu Corporation has the customer base in Japan which makes one more channel that the company can distribute the goods. Such selling goods is according to the business mechanical both in fixing the price, provide reduction, giving credit which the company has held the practice same as every customer of the company.

2. Business performance character

Structure of Revenue (Consolidated)

(In Thousand Baht)

Products	2014	%	2013	%	2012	%
Frozen Vegetables	1,413,564	100.0	1,426,502	100.0	1,491,529	100.0
Others	-	-	-	-	-	-
Total sales	1,413,564	100.0	1,426,502	100.0	1,491,529	100.0
Profit (loss) from exchange rate	(29,633)		17,717		11,596	
Others income	19,786		19,116		17,737	
Total revenues	1,403,717		1,463,335		1,520,862	

Product markets	2014	%	2013	%	2012	%
Overseas	1,401,701	99.2	1,410,615	98.9	1,469,202	98.5
Domestic	11,863	0.8	15,887	1.1	22,327	1.5
Total sales	1,413,564	100.0	1,426,502	100.0	1,491,529	100.0
Profit (loss) from exchange rate	(29,633)		17,717		11,596	
Others income	19,786		19,116		17,737	
Total revenues	1,403,717		1,463,335		1,520,862	

Nature of Customers	Percentage		
	Oversea Market	Domestic Market	Total
Total sale value (Consolidated)	99.2	0.8	100.00

Performance cycle	Percentage		
	2014	2013	2012
1 st Quarter	23.00	22.00	22.00
2 nd Quarter	28.00	31.00	30.00
3 rd Quarter	28.00	26.00	27.00
4 th Quarter	21.00	21.00	21.00
Total	100.00	100.00	100.00

Subsidiary company

Agrifood Processing Co., Ltd., is a distributor (Export) of Frozen Sweet Corns.

Structure of revenue

(Unit: Thousand baht)

Particular	2014	%	2013	%	2012	%
Overseas	233,393	100.0	263,115	99.2	275,817	98.7
Domestic	55	-	2,189	0.8	3,683	1.3
Total sales	233,448	100.0	265,304	100.0	279,500	100.0
Profit (loss) from exchange rate	(6,712)		6,559		3,187	
Others income	955		596		600	
Total revenues	227,691		272,459		283,287	

2.1 Character of products

Products of the company are of frozen vegetables products which is brought an agricultural products such as Soy Beans, Green Beans, Sweet Corns, Carrots, Baby Corns chiefly to pass the processing method such as selecting, cutting, washing, boiling then bring to freeze and keep in cold storage to wait for grading, contain and export by having efficient producing steps according to the various standards such as ISO 22000, FSSC 22000, HACCP, GMP, GAP. The machines are up-to-date and the products are of quality, fresh, clean, tasty to correspond with the required customers.

Investment promotion

The company has received investment promotion in activity of producing Frozen Vegetables. At present privilege still effects that is received tax reduction of juristic person in rate 50% till October 2014 of activity size 15,000 metric tons per year from total activity sizes 42,000 metric tons per year.

2.2 Market and competition

Previous year of market policy

In the year 2014, the company had total sales at 22,778 metric tons less than target 2,222 metric tons or come to 8.9%, having total sale value 1,413.6 million baht which reduced from previous year 12.9 million baht or come to 0.9%. The Company has market share namely; is a major exporter products of Frozen Green Beans, Frozen Soy Beans and Frozen Sweet Corns by having total export portion more than 99% and having market share in Japan about 15% of above mentioned products. For satisfaction degree of the customers are good.

Important of competitive tactics

1. Listen every group of customers opinion along with return the customers expectation and requirement very quickly.
2. Develop quality of the goods to be of standardize in international level, free from chemical residue and additive continuously.
3. Manage to deliver the goods efficiently and always in accordance with the customers requirement.
4. Develop personnel to be of knowledgeable with capable and proceeding the work with maximum effectively.

Advantages

1. The company has a good relationship with the customers and join conduct business for a long time.
2. High rank executives of the company are entirely experienced with knowledge of trading in agricultural products for a decade
3. Main products of the company is the produces from agriculture of good quality, fresh and safety
4. The growing areas are of plentiful and able to grow throughout the year and few affect from natural peril such as wind storm, heavy rain and flood when compare with the competitor country like China and Taiwan.

Disadvantages

1. The delivery distant both inland and sea are farther when compare to the competitor in overseas which make the delivery cost capital higher.
2. Size of growing areas is mostly small and scatter in wide vicinity, oversee of growing areas is done harder when compare with the competitors in overseas.

Target customers

Main customers of the company are importer, big co-trader, representative and small customers which scatter the goods to the supermarket, various retail shops and producer in industrial foods and consumer groups of the company are mostly group of middle class up and business group that needs in the form of semi ready-made, clean, healthy and easy to consume.

Pricing policy

The Company has a policy to distribute the products at the price of capable to compete with the competitors both from domestic and overseas.

Distribution and distribution channels

Most all the company's products exported to the overseas through the distribution channels of:-

1. Distribute through an importer and the representative.
2. Distribute directly to the customers.
3. Distribute through Agrifood Processing Co., Ltd. (subsidiary company).

Distribution portion in domestic and overseas

The company distributes goods mainly to the overseas such as Japan, USA, Sweden, Denmark with about 84.3% and sells in domestic through Agrifood Processing Co., Ltd. for export and other small customers with about 15.7%.

Main market of the company is Japan which is a country that likes to consume frozen products due to better quality in product or equivalent to competitor products in overseas. Therefore, satisfaction degree of the consumers toward company products is good

Competition condition

Competition condition does not so violent owing Frozen Vegetable products are the products of having consumption demand in considerably volume and the main market of the company is Japan. Japanese customers are the customers of having consumption demand in the form of semi ready-made, fresh, clean, healthy and easy to eat. Also Thailand is a country of plentiful and rather scarce of natural peril problem which differ from competitor country like China, Taiwan which always suffer from natural peril problem that make irregular delivery which differ from the company goods that able to deliver the goods regularly the whole year round.

Trade competitor of the company is a competitor in overseas that is China, Taiwan having business size adjacent with the company which the company has capable potential enough to be able to make competition both in quality, price and regularity in deliver.

2.3 Procurement

Products of the company produce from raw materials bought from the farmers in project through the collector of raw materials, covering areas of 16 provinces of Northern region such as: Chiang Mai, Chiang Rai, Phare, Nan, Phayao etc, in which the company will arrange seeds, fertilizers and insecticides to the farmers for substitution and the company shall buy their produces under guarantee price. During growing period, there will be the officer which is our agricultural promotion employee to provide knowledge and advice to the farmers for nursing, fertilizing and governance for using chemical in order to obtain quality of produces, safe for consumer and highest yield per rai. When the produces could harvest, the company would buy at guarantee price and deduct the expenses of seeds, fertilizers and insecticides from buying price of the produces.

Production capacity, production volume and production value

Items	Unit	2014	2013	2012
Full production capacity of machinery	Metric tons	42,000	42,000	42,000
Actual production volume (depend on season and raw material volume)	Metric tons	28,216	22,132	26,212
Actual rate of usage capacity	%	67.18	52.70	62.41
Increase (decrease) rate of production volume	%	27.49	(15.57)	(0.26)
Increase (decrease) rate of production value	%	12.64	(2.71)	5.76

Remark: There are three production shifts. Actual production, which depends on the volume of raw materials supplied to the factory, ranges from one to three shifts.

Buying portion of Raw Material :

Domestic: Approximate 200 collectors of raw material at portion 97%

Oversea : The Company imports raw material at portion 3%

Impact on environment

Wasted water that passed the process of the company may impact on environment. So the company takes to pass the system of reforming wasted water in order to meet the requirement quality of Department of Industrial Works formulated before to let to the system of drain water. For the remainder of raw material from the process, the company will sell in the form of advantage to use as animal feed make no wasted things in this part to affect the environment.

In the past 3 years, the company effort to reduce environment impact to comply with laws carefully, thus the

company has no any dispute or to be accused concerning environment impact.

2.4 Undelivered goods

Since the company produces the goods for selling all year and manage to deliver according to order regularly, so no any order that unable to deliver.

3. Risk factors

Raw material

The Company is a manufacturer and distributor of Frozen Vegetables product which must use Soy Beans, Green Beans and Sweet Corns as important raw materials of producing capital and since these raw materials are the agriculture raw materials that mainly depends on the nature factors make the company may receive impact and incur some shortage of such raw materials.

To serve this risk, the company would use the way of increasing more volume of producing in next stage due to raw materials could be able to grow 2-3 stages a year and harvesting life is only about 60-90 days. Therefore, if the problem arises in any stage of growing, the company would increase more growing area in next stage.

Market

The Company has presently exported Frozen Vegetables product to Japan market about 92% of the total sale which this dependence on Japan market at high portion would impact the company business from their economic slowdown and/or change on the trade policy of such country.

However, as the products of the company is food type that necessary for standard of living and Japanese peoples like to consume Frozen Soy Beans and Frozen Green Beans also the company has a good relationship with the customer throughout, so impact from depending on Japan market as a main would not be so risk.

Exchange rate

As the company and subsidiary company have its value export more than 99% of the total sale and the company sells the products in US Dollar currency, so the company may receive impact due to stronger exchange rate, would make the company receive less baht value from less exchange rate.

The measurement to reduce risk in this case, the company has made a US exchange forward contract which can reduce moderate risk from foreign exchange rate in which the company will make forward sell contract for periods time 8 - 12 months make the company would be able to prevent risk in exchange rate approx. 10 months.

Quality products

Quality products that must free from chemical causes the company having risk in returning products from the customers if incapable to control the quality to free from chemical as agreed with the customers.

The measurement of controlling quality products which is an impact incur from chemical residue, the company is available an inspection process strictly according to GMP standard in which the company has arranged detector for detecting chemical residue that having high efficient which presently the company available 2 detectors capable to detect the chemical residue more than 250 kinds whereas the company uses the chemical about 20 kinds.

Management

Board of Company comprise 5 directors represented main shareholders which are of experience in agricultural business for a long time and one third of Independent Directors jointly formulate the policy to the Board of Executive, take care and control operation of the Board of Executive continuously and efficiency.

Board of Executive comprise 5 high rank executive team which each of person is of knowledgeable and competent in managing agricultural business excellently, having scatter an authority in management and decision appropriately inclusive meeting together to make decision in an important point.

Working of the Board of Executive and Board of Company are conducting under the policy of Good Corporate Governance, think of every group of stakeholders, transparency, checkable and in every meeting of Board of Company, the meeting has reported operation result and open a chance to every director for making inquiry at their wish, so risk in management of the company then is in a low level.

Financial

The Company subsidiary company had total assets amount 1,387.0 million baht, total liabilities 119.5 million baht or come to 8.6% of total assets and shareholders' equity 1,267.5 million baht or come to 91.4% of total assets, ratio of liabilities per shareholders' equity 0.09:1, current ratio 12.9 and quick ratio 6.97 also the credit line from 4 financial institutes that the company using the service each is the credit line that must not have bonds surety altogether which show the financial status and reliably of the company that received from financial institutes is on the high level. Besides, the company has held the financial policy principle that stress on carefulness which make the risk of company financial is on the low level.

Investors

The Company has a good business result and profitable throughout. At December 31, 2014 the company had retained earnings altogether amount 818.4 million baht or come to 59.0% of total assets and the company could pay dividend to the shareholder every year.

4. Assets for business performance

Type of assets	Type of possession	Value (Million baht)	Burden
Land of office building, No.149/32-34 Soi Anglo Plaza, Surawongse Road, Khet Bangrak, Bangkok 54.4 Square wahs	Owner	25.6	None
Land 1 st Plant No.92 Moo 3 Chiangmai-Phrao Road, Nongjom, Sansai, Chiangmai 15 rais 36.6 Square wahs	Owner	3.1	None
Land 2 nd Plant No. 299 Moo 14 Chiangmai-Phrao Road, Maefagmai, Sansai,Chiangmai 27 rais 3 ngan 98.9 Square wahs	Owner	34.7	None
Land 2 nd Plant No. 299 Moo 14 Chiangmai-Phrao Road, Maefagmai, Sansai,Chiangmai 15 rais 1 ngan 53.6 Square wahs	Owner	7.2	None
Land at Maefagmai, Sansai,Chiangmai 16 rais 108.2 Square wahs	Owner	9.6	None
Land at Maefagmai, Sansai,Chiangmai 6 rais 54.3 Square wahs	Owner	3.2	None
Land –New Cold storage No. 299/1 Moo 14 Chiangmai-Phrao Road, Maefagmai, Sansai, Chiangmai 8 rais 3 ngan 97 square wahs	Owner	5.4	None
Land at Amphur Bangragum,Phitsunulok Province 154 rais 30 square wahs	Owner	15.4	None
Office Building, 4 Floors, 3 Units No. 149/32-34 Soi Anglo Plaza, Surawongse Road, Bangrak, Bangkok	Owner	4.8	None
1 st Plant Building No. 92 Moo 3 Chiangmai-Phrao Road, Nongjom,Sansai, Chiangmai	Owner	23.1	None
2 nd Plant Building No. 299 Moo 14 Chiangmai-Phrao Road, Maefagmai,Sansai,Chiangmai	Owner	33.5	None
New cold storage No. 299/1 Moo 14 Chiangmai-Phrao Road, Maefagmai, Sansai, Chiangmai	Owner	49.6	None
Machinery & Equipment	Owner	114.9	None

5. Legal disputes

In the year of 2014, the company and subsidiary company had no dispute on laws that having important point toward conducting business of the company.

6. General information and other important information.

6.1 General information

Name	Chiangmai Frozen Foods Public Company Limited
Office Location	149/34 Soi Anglo Plaza, Surawongse Road, Kwaeng Suriyawongse, Khet Bangrak, Bangkok 10500, Thailand.
Registration	0107-537-000-513
Telephone	(662) 238-4091, (662) 634-0061-4
Facsimile	(662) 238-4090
Website	www.cmfrozen.com
Business Type	Manufacture and Export of Frozen Vegetables such as Soy Beans, Green Beans, Sweet Corns, Carrot, Baby Corns etc.
Capacity	42,000 Metric Tons per Year
Factory (Branch)	1 st Plant No. 92 Moo 3, Chiangmai-Phrao Road, Nongjom, Sansai, Chiangmai Province 50210, Thailand. 2 nd Plant No. 299 Moo 14, Chiangmai-Phrao Road, Mae Fag Mai, Sansai, Chiangmai Province 50290, Thailand.
Registered Capital	381,146,251 common share each with par value 1 baht and in the aggregate value of 381,146,251 baht.
Paid-up Capital	381,145,725 common share each with par value 1 baht and in the aggregate value of 381,145,725 baht.

Shares in juristic persons held by the company from 10% upwards

Name	Agrifood Processing Co., Ltd.
Location	149/34 Soi Anglo Plaza, Surawongse Rd., Kwaeng Suriyawongse, Bangrak, Bangkok 10500, Thailand.
Telephone, Facsimile	Phone: (662) 634-2282-6 Fax: (662) 634-2287
Business Type	Conduct business buying-selling, distributor (Export) Frozen Sweet Corns.
Registered Capital	Ordinary share 12,000,000 shares of each 10 baht per share total 120,000,000.00 baht.
Paid-up Capital	Ordinary share 12,000,000 shares of each 10 baht per share paid up 30,000,000.00 baht.
Percentage of Shareholding	100 % by the company.

6.2 Others important information.

Registrar	Thailand Securities Depository Co., Ltd. 62 The Stock Exchange of Thailand Building, 4,6-7 th Floor, Rachadapisek Road, Kwaeng Klongtoey, Khet Klongtoey, Bangkok 10110,Thailand. Tel.(662)229-2800,654-5599 Fax.(662)359-1262-3
Auditor	Mr. Pradit Rodloytuk, C.P.A.(Thailand) No.218 AST Master Office of 790/12 Thonglor Tower, Soi Tonglor 18, Sukhumvit Road 55, Kwaeng Klongtoey, Khet Wattana, Bangkok 10110, Thailand. Tel.(662)381-5716, (662)381-8016
Legal Advisor	Mr. Wanchandr Sivaboonyawongse No. 51 Trok Srirubsuk, Kwaeng Taradbangkhen, Khet Laksi, Bangkok 10210, Thailand Telephone & Fax. (662) 521-4501
Financial Institution	Siam Commercial Bank Public Co., Ltd. Mizuho Corporate Bank, Ltd. – Bangkok Office. Thanachart Bank Public Co., Ltd. Krungthai Bank Public Co., Ltd.