

Part 1

Business Performance

1. Policy and overall business performance

Chiangmai Frozen Foods Public Company Limited “CM” conducts business of producing and distributing frozen vegetables such as Frozen Soy Beans, Frozen Green Beans, Frozen Sweet Corns, Frozen Baby Corns for consumption. The Company has sales proportion to overseas distribution 98%, and domestic market distribution 2%. The major trade partner and market is located in Japan, considered the market share of 9% for the above mentioned products

1.1 Corporate philosophy, Vision, Mission, Value, and Business Goals

Corporate philosophy

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

Vision

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.

Value

- 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 Goals

- 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 Significant change and development

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
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, then 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	Conduct 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.
Nov. 2015	The Board of Director resolved to liquidate Agrifood Processing Co., Ltd. (subsidiary Company)
Mar. 2016	The Company has signed the pre-deposit land lease agreement with the lessor as the part of the investment project in Myanmar
Dec. 2016	Agrifood Processing Co., Ltd. (Subsidiary company) has completed the liquidation
May 2017	Investment in Sino Thai Freeze & Dry Co., Ltd., for the amount THB 37.5 Million, considered 15% share proportion.

Change of Controlling in the previous year

“Mr. Prayoon Pholpipattanaphong, Chairman or Mr. Ankoon Pholpipattanaphong, Managing Director or Mr. Prapas Pholpipattanaphong to give signature with company seal”

In 2018, There is no change of controlling.

Change of Business Operation in previous year

There is no significant change in the business operating of the Company in the year 2018.

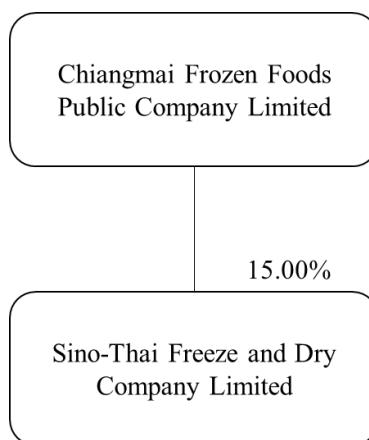
Change of Shareholder’s Structure, Management or Business performance in previous 3 years

There is no significant change of Shareholder’s Structure, Management or Business performance in previous 3 years

Important incident in 2018

None

1.3 Shareholding structure of the company group



As of 31 December 2018, the Company has no direct or indirect subsidiary, only the investment in the company which held total share over 10 percent but not exceed 20 percent as below

	Company	Business Operation	Registered Capital (Baht)	Shareholding (%)
1	Sino-Thai Freeze and Dry Co., Ltd	Manufacture and Distributor of Frozen & Freeze Dry Foods, Fruits & Herbs	250,000,000	15.00

1.4 Relationship with business group of main shareholder

1	Northern Agricultural Co., Ltd. (“NA”)	<p>NA 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., as at 31 December 2018, holds the share in the company amount 162,458,988 shares, considered 42.62%</p>
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2. Business performance

Structure of Revenue

(In Million Baht)

Categorized by products	2016	%	2017	%	2018	%
Frozen Vegetables	1,465.50	100.0	1,357.89	100.0	1,265.51	100.0
Others	-	-	-	-	-	-
Total sales	1,465.50	100.0	1,357.89	100.0	1,265.51	100.0
Profit (loss) from exchange rate	8.32		34.63		19.17	
Income from investment	5.23		6.62		4.17	
Others income	8.25		8.56		12.03	
Total revenues	1,487.30		1,407.70		1,300.88	

Categorized by market	2016	%	2017	%	2018	%
Overseas	1,434.39	97.9	1,322.71	97.4	1,238.23	97.8
Domestic	31.11	2.2	35.18	2.6	27.28	2.2
Total sales	1,465.50	100.0	1,357.89	100.0	1,265.51	100.0
Profit (loss) from exchange rate	8.32		34.63		19.17	
Income from investment	5.23		6.62		4.17	
Others income	8.25		8.56		12.03	
Total revenues	1,487.30		1,407.70		1,300.88	

Seasonality of Sales	Percentage		
	2016	2017	2018
1 st Quarter	21.00	25.00	22.00
2 nd Quarter	29.00	27.00	26.00
3 rd Quarter	27.00	27.00	26.00
4 th Quarter	23.00	21.00	26.00
Total	100.00	100.00	100.00

2.1 Character of products

Products of the company are of frozen vegetables products which is brought an agricultural product 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

At present, the company has not received tax privilege from investment promotion certificate.

2.2 Market and competition

Marketing Strategy in previous year

In the year 2018, the company has a sales volume of 21,288 metric tons, considered 1,265.51 Million Baht, decreased from previous year 92.38 Million Baht, equivalent to 6.8%. 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 97.85%, sales Domestic 2.15% and having market share in Japan about 9% of above mentioned products. For satisfaction degree of the customers are good to very good.

Competitive Strategy

1. Listen every group of customer 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 customer 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 having experienced with knowledge of trading in agricultural products for a decade
3. Main products of the company are 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 are 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.

Distribution portion in domestic and overseas

The company distributes goods mainly to the overseas such as Japan, USA, Sweden, Denmark, Taiwan, China with about 97.85% and domestic sells to other small customers with about 2.15%.

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 oversea.

Therefore, satisfaction degree of the consumers toward company products are good to very 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 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 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. Also the local competitor who sold the same products.

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	2016	2017	2018
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	17,923	25,340	26,097
Actual rate of usage capacity	%	42.68	60.33	62.14
Increase (decrease) rate of production volume	%	(15.08)	41.38	2.99
Increase (decrease) rate of production value	%	(11.67)	17.75	4.10

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 99%

Oversea: The Company imports raw material at portion 1%

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 put 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

The Company has been aware of the risks, and followed the impact of event which could be a risk to the business operations of the Company periodically in order to the consideration and the risk management is prudent and effective. The Company has appointed a Risk Management Committee comprised of Executive Director, Independent Director and senior executive to act as analysing risk factors and assessing the risks occurring. To find out method to prevent or manage risks appropriately. In addition, the Risk Management Committee will report to the Audit Committee and the Board of Directors to informed and consider at least every six months. The risks which have a significant influence on the Company concluded as follows;

Fluctuation of Raw Material Quantity and Price

The raw material used in the production is the agricultural products which are Soy Bean, Green Bean and Sweet Corn. The change of climate and natural disaster such as drought and flood would directly impact to the supply and price. Therefore, the Company has exposed to the risk of fluctuation of raw material in terms of quantity and price. This would directly impact to the cost and profit for the company

The Company has managed the risk by determined the purchasing price in advance for such raw material using the mechanism of contract farming. Currently there are 20,000 families of farmers engage in the contract with the company. Of which, there is no family who supply the value more than 20% of total raw material purchased in the year. Moreover, the Company has planned the cultivation as the raw materials could be plant to 2-3 crops a year and harvesting life is only about 60-90 days. Therefore, the company can adjust the volume of raw material according to the level of supply in previous crops.

The Dependent on Market

The Company have presently exported Frozen Vegetables product to Japan market about 93.62% 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 the risk level for the dependence on Japan market is considered low.

The Fluctuation of Exchange Rate

As the company have its value export more than 97.85% 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 12 months make the company would be able to prevent risk in exchange rate approx. 8-10 months.

The Chemical Residue in 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 chemical residue in products also would cause the serious impact to the profit of the company as well as the confident in the company's product.

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. In the year 2017, there are no rejection of products from customers due to the present of chemical residue in the products.

The Shortage of Labour

Since the business is considered labour-intensive, considering the shortage of labour in Chiangmai is intense as the local business is expanding not only the industrial sector but also include the tourism sector. Therefore, the Company expose to the risk of exposing to the shortage of labour, or labour cost increasing. This will impact directly to the increasing production cost and ultimately affected to the Net Profit. Furthermore, the implementation on the Royal Ordinance on Foreigner's Working Management Emergency Decree, B.E. 2017 would pressure on the shortage of labor.

The Company manage the risk by setting the reasonable and attractive wages and salary, including other benefits such as living support, scholarship for the employee's children. Also,

the Company has arranged the seminar to continuously improve the labour skill, and creating the working atmosphere to ensure the satisfaction of the workforce. However, since the government has implement relax policy toward the alienate worker, the Company has hired alienate worker to ease the shortage of labor problem.

Management

Board of Company comprise 4 directors that represented main shareholders which are of experience in agricultural business for a long time and 4 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 3 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 Risk

The Company had total assets amount 1,559.00 million Baht, total liabilities 134.29 million Baht or come to 8.61% of total assets and shareholders' equity 1,424.71 million Baht or come to 91.39% of total assets, ratio of liabilities per shareholders' equity 0.09:1, liquidity ratio 12.94 and quick ratio 5.45, also the credit line from 5 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 31 December 2018 the company had retained earnings unappropriated net legal reserve amount 937.45 million Baht, equivalent to 60.13% of total assets and the company could pay dividend to the shareholder every year.

4. Assets for business performance at 31 December 2018

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,Phitsanulok 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	3.2	None
1 st Plant Building No. 92 Moo 3 Chiangmai-Phrao Road, Nongjom,Sansai, Chiangmai	Owner	69.4	None
2 nd Plant Building No. 299 Moo 14 Chiangmai-Phrao Road, Maefagmai,Sansai,Chiangmai	Owner	28.7	None

Type of assets	Type of possession	Value (Million Baht)	Burden
New cold storage No. 299/1 Moo 14 Chiangmai-Phrao Road, Maefagmai, Sansai, Chiangmai	Owner	31.9	None
Machinery & Equipment	Owner	149.4	None

5. Legal disputes

In the year of 2018, 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.

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. Tel. (6653) 844-961-4, 498-195-6 Fax. (6653) 498-199 2 nd Plant No. 299 Moo 14, Chiangmai-Phrao Road, Mae Fag Mai, Sansai, Chiangmai Province 50290, Thailand. Tel. (6653) 848-088-94 Fax. (6653) 848-097
Registered Capital	381,145,725 common share each with par value 1 Baht and in the aggregate value of 381,145,725 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.
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Shares in juristic persons held by the company more than 10%

Name	Sino Thai Freeze and Dry Co., Ltd.
Head Office	Sindhorn Building, Tower 3, 15 th Floor, 130-132 Wireless Road, Lumpini, Pathumwan, Bangkok 10330, Thailand
Factory	99/13 Rama 2, Bang Nam Chuet, Mueang Samut Sakhon 74000, Thailand.
Telephone & Facsimile	Telephone: 662-263-2991 Fax: 662-263-2990
E-mail	st-fd@frezedry.co.th
Business Type	Manufacture and Distributor of Frozen & Freeze Dry Foods, Fruits & Herbs
Registered Capital	Ordinary share 25,000,000 shares of each 10 Baht per share total 250,000,000.00 Baht.
Paid-up Capital	Ordinary share 25,000,000 shares of each 10 Baht per share paid up 250,000,000.00 Baht.
Percentage of Shareholding	15 % by the company considered THB 37.50 Million.

Others important information.

Registrar	Thailand Securities Depository Co., Ltd. The Stock Exchange of Thailand Building, No.93, 14 th Floor, Rachadapisek Road, Kwaeng Dindaeng, Khet Dindaeng, Bangkok 10400 Thailand. Tel.(662) 009-9000 Fax.(662) 009-9991
Auditor	Miss Nongram Laohaareedilok, C.P.A.(Thailand) No.4334 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. 1 Soi Ramintra 23 (junction 18), Ramintra Rd., Kwaeng Monument, Khet Bang Khen, Bangkok 10220. Telephone 081-827-2961
Financial Institution	Siam Commercial Bank Public Co., Ltd. Thanachart Bank Public Co., Ltd. Krungthai Bank Public Co., Ltd. Bangkok Bank Public Co., Ltd of Ayudhya Public Co., Ltd. Bank