

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. GENERAL INFORMATION

Chiangmai Frozen Foods Public Company Limited was a public company limited and was listed on the Stock Exchange of Thailand in 1993. The Company and subsidiaries are engaged in business of manufacturing and exporting of frozen fruits and vegetable, frozen dough and bakery products and transmuted sweet corn distribution. The registered office of the Company is located at 149/34 Soi Anglo Plaza, Surawongse road, Bangrak, Bangkok.

2. BASIS OF CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENTS PREPARATION

The consolidated and the Company's financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act, B.E.2543 being those Thai Accounting Standards issued under the Accounting Profession Act, B.E. 2547 and the financial reporting requirements of the Securities and Exchange Commission.

The consolidated financial statements include the account of Chiangmai Frozen Foods Public Company Limited and Subsidiaries which are owned directly and indirectly by Chiangmai Frozen Foods Public Company Limited as follows:

	PERCENTAGE OF HOLDING		NATURE OF BUSINESS
	2005	2004	
C&W INTERFOODS CO.,LTD.	49.00	49.00	Frozen Dough and Bakery Products
AGRIFOOD PROCESSING CO., LTD.	100.00	100.00	Transmuted Sweet Corn Distribution

During the year 2005, C&W Interfoods Co., Ltd. increased the authorized share capital amounted to Baht 12.5 million. The Company purchased those increased share of Baht 6.1 million to maintain the same percentage of holding.

During the year 2003, the Company had jointed with River Kwai International Food Industry Co., Ltd. to establish the new registered company, Agrifood Processing Co.,Ltd. with the percentage of holding 51%. On July 1, 2004 the company acquired additional investment in shares of Agrifood Processing Co., Ltd. amounting to approximately Baht 8.1 million, as a result, the percentage of shareholding in Agrifood Processing Co., Ltd. increased from 51 % to 100 %.

Subsidiaries undertakings are those companies in which the Group, directly and indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the financial and operating policies, have been consolidated. Subsidiaries are consolidated from the date on which effective control transferred to the Group.

The significant transactions between the Company and its subsidiaries have been eliminated in the consolidated interim financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of the Company and subsidiaries' financial statements are as follows:

3.1 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits at financial institutions. The Company and subsidiaries maintain cash on hand for general use. Deposits at financial institutions, including short – term saving deposits, are highly liquid investments that are readily convertible to known amounts with original maturities of three (3) months or less and that are subject to an insignificant risk of change in value.

3.2 Accounts Receivable

Accounts receivable are carried at original invoice amount less allowance for doubtful accounts.

3.3 Allowance For Doubtful Accounts

The Company and subsidiaries provide allowance for doubtful accounts equal to the estimated losses that may be incurred in the collection of receivables and receivables- planters. The estimated losses are based on the collection experiences and the review of the current status of the existing receivables. Bad debts are written off during the year in which they are identified.

3.4 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, the latter being allocated on the basis of normal operating activities. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventories.

3.5 Investments

Investments in subsidiaries are valued by the equity method.

Equity method of accounting involves recognizing the Company's share of the subsidiaries' profit or loss for the years. The Company's investments in the subsidiaries which carried in the Company's balance sheets are the amount that reflects its share of net assets in the subsidiaries.

3.6 Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. All assets except for land are stated at historical cost less accumulated depreciation.

Depreciation of property and equipment are calculated on the straight line method over their estimated useful lives as follows:

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

When assets are sold or retired, the Company and subsidiaries will eliminated their costs and accumulated depreciation from the accounts and any gain or loss resulting from their disposal is included in the statements of income.

Building-in-progress and machinery under installation are stated at cost. These assets are not depreciated until such time as the relevant assets are completed and ready for their intended operational use.

3.7 Intangible asset and amortization

Intangible asset is computer software which is stated at historical cost and amortized using the straight line method over its useful live of (3 – 5) years.

3.8 Finance Leases

Leases of assets where the Company and subsidiaries have substantially been transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized as assets and liabilities at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The lease payment amount net of finance charges is recorded as the reduction of the outstanding liability. The depreciable assets acquired under finance leases are depreciated over the useful life of the assets.

3.9 Impairment of Assets

The Company and subsidiaries reviewed the impairment of assets whenever events or changes in circumstances indicate that the recoverable amount of assets is below the carrying amount (the higher of an assets selling price or value in use). The review is made for individual assets or the cash generating unit.

In case that the carrying value of an asset exceeds its recoverable amount, the Company and subsidiaries recognize the impairment losses in the statements of income. The reversal of impairment losses recognized in prior years is recorded as other income when there is an indication that the impairment losses recognized for the assets no longer exist or are decreased.

3.10 Foreign Currency Transactions

Transactions in foreign currencies throughout the years are recorded in Baht at rates prevailing at the date of transactions. Outstanding foreign currency balances of assets and liabilities at the balance sheet dates are translated into Baht at the prevailing bank rates as of those dates. Transactions cover by foreign currency forward exchange contracts which are recorded at forward rates adjusted with unamortized premium. Gain or loss is credited or charged to current operations.

3.11 Provisions

Provisions are recognized when the Company and subsidiaries have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company and subsidiaries expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

3.12 Revenue Recognition

The Company and subsidiaries recognized sales as income when goods are delivered and the risks and rewards are transferred to customers.

3.13 Income Tax

The Company and subsidiaries recorded income tax based on the actual amount currently payable according to the Revenue Code.

3.14 Basic Earnings per Share

Basic earnings per share are calculated by dividing the net income by weighted average number of paid - up common shares during the years.

3.15 Financial instruments

Financial assets carried on the balance sheet include cash and cash equivalents, short-term investments, trade accounts receivable fixed deposits and other receivable. Financial liabilities carried on the balance sheet include trade accounts payable, Finance Lease, loan. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

4. TRANSACTION WITH PERSON AND RELATED PARTIES

The Company has certain transactions with their subsidiaries, person and related companies. A portion of assets, liabilities, revenues and expenses arose from transactions with said person and related companies. These related companies are related through shareholder, common shareholding and/or directorships. The effects of these transactions are reflected in the accompanying financial statements on the bases mutually considered by the companies concerned, and other entities, normal course of business.

4.1 Relationships and pricing policies

The relationship and pricing policies among the Company, Subsidiaries, Person and Related companies are as follows:

	Relationship	
	2005	2004
<u>Subsidiaries :</u>		
Agrifood Processing Co., Ltd.	Shareholding and Directorship	Shareholding and Directorship
C&W Interfoods Co.,Ltd.	Shareholding and Directorship	Shareholding and Directorship
<u>Related companies :</u>		
Itochu Corporation Co., Ltd.	Shareholder	Shareholder
P.P Foods Supply Co., Ltd.	Cross shareholding	Cross shareholding
Ing shiang Co., Ltd.	Cross shareholding	Cross shareholding
Wonder Interfoods Co.,Ltd	Shareholding in subsidiary	-
River Kwai International Food Industry Co., Ltd.	-	-

In July, 2004, The relationship of River Kwai International food Industry Co.,Ltd changed its status from related company to other company.

	Pricing policy
Sales	At normal business prices, as same as other entities.
Rental revenue	At contract price which had been agreed upon.
Interest revenue	At interest rate 3.25% per annum.
Selling and Administrative expenses	At contract price which had been agreed upon.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

4.2 Balances of transactions with Subsidiaries, Related Person and Companies

Balances of transactions among the Company, Subsidiaries, Related Person and companies as at December 31, 2005 and 2004 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Trade accounts receivable				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	5,467,450	4,168,633
Related companies				
Itochu Corporation Co., Ltd.	7,238,206	10,796,896	5,134,949	9,892,790
P.P Foods Supply Co., Ltd.	10,960,040	9,004,349	10,960,040	9,004,348
Ing shiang Co., Ltd.	2,174,684	2,327,404	423,162	-
Total	20,372,930	22,128,649	16,518,151	18,897,138
Grand Total	20,372,930	22,128,649	21,985,601	23,065,771
Interest receivable				
C&W Interfoods Co.,Ltd	-	-	67,627	-
Long - term loans to				
C&W Interfoods Co.,Ltd	-	-	24,500,000	-
Long - term loans from				
Wonder Interfoods Co.,Ltd	25,500,000	-	-	-
Accrued Commission				
Expenses				
Related persons	385,998	205,103	385,998	205,103
Related companies				
Itochu Corporation Co., Ltd.	382,720	1,647,354	360,888	1,630,475
P.P Foods Supply Co., Ltd.	3,030,142	2,127,698	3,030,142	2,127,698
Ing shiang Co., Ltd.	98,839	533,120	98,839	533,120
Total	3,511,701	4,308,172	3,489,869	4,291,293
Grand Total	3,897,699	4,513,275	3,875,867	4,496,396
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

4.3 Revenue and expenses among the Company, Subsidiaries and Related Companies

Revenue and expenses among the Company, Subsidiaries and Related companies for the years then ended December 31, 2005 and 2004 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Sales				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	104,122,471	81,487,874
Related companies				
Itochu Corporation Co., Ltd.	131,383,133	174,616,356	113,926,616	162,230,315
P.P Foods Supply Co., Ltd.	21,093,215	16,692,868	21,087,855	16,692,868
Ing shiang Co., Ltd.	5,462,486	8,631,615	1,954,966	-
River Kwai International Food Industry Co.,Ltd.	-	17,717,074	-	8,241,120
Total	157,938,834	217,657,913	136,969,437	187,164,303
Grand Total	157,938,834	217,657,913	241,091,908	268,652,177
Surcharge income from defaulting condition in purchase and sale agreement				
Agrifood Processing Co., Ltd	-	-	-	8,057,830
Other income				
Agrifood Processing Co., Ltd.	-	-	676,653	1,479,524
Interest revenue				
C&W Interfoods Co.,Ltd.	-	-	605,435	-
Commission Expenses				
Related Persons	-	212,372	466,660	212,372
Related companies				
Itochu Corporation Co., Ltd.	2,549,064	3,460,195	2,232,908	3,211,013
P.P Foods Supply Co., Ltd.	3,720,829	3,905,572	3,720,829	3,905,572
Ing shiang Co., Ltd.	1,246,115	1,619,907	1,246,115	1,619,907
Total	7,516,008	8,985,674	7,199,852	8,736,492
Grand Total	7,516,008	9,198,046	7,666,512	8,948,864

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

5. CASH AND CASH EQUIVALENTS

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Cash on hand	196,165	286,404	100,873	100,023
Regular checking accounts	10,234,972	3,382,030	-	3,021,799
Saving accounts	113,457,049	82,221,994	91,528,660	65,104,211
Total	123,888,186	85,890,428	91,629,533	68,226,033

The weighted average effective interest rates of deposits at financial institutions were 0.25% – 0.75 % per annum (2004: 0.25 % – 1.80 % per annum)

6. CURRENT INVESTMENTS

Current investments are deposits at financial institution - fixed deposits which bear interest at the rate of 3.65 % per annum (2004: 1.10 – 1.40% per annum)

7. TRADE ACCOUNTS RECEIVABLE

The aging of outstanding balances as at December 31, 2005 and 2004 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Accounts receivable - Related Companies				
Not yet due receivables	8,219,025	14,307,365	13,686,475	17,571,890
Over due with 1 month to 3 months	7,881,199	6,395,754	5,305,309	4,068,351
Over due with 4 months to 6 months	4,272,706	1,425,530	2,993,817	1,425,530
Total accounts receivable - Related Companies	20,372,930	22,128,649	21,985,601	23,065,771
Trade accounts receivable - Other Companies				
Not yet due receivables	48,175,153	63,422,989	32,990,135	50,831,962
Over due with 1 month to 3 months	23,897,646	8,937,680	7,438,889	-
Over due with 4 months to 6 months	1,095,619	218,976	1,765,014	-
Over due with 7 months to 12 months	1,874,248	810,366	1,758,881	-
Over due 12 months	1,161,164	2,655,976	30,000	-
Total accounts receivable - Other Companies	76,203,830	76,045,987	43,982,919	50,831,962
Less Allowance for doubtful accounts	(1,131,164)	-	-	-
Net	75,072,666	76,045,987	43,982,919	50,831,962

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

8. INVENTORIES - NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Finished goods and semi – products	232,418,182	207,880,735	232,348,450	206,678,932
Seeds, insecticide, fertilizer	24,693,847	18,810,688	20,460,693	18,810,688
Raw material and supplies	30,661,854	37,893,744	27,565,832	30,198,167
Total	287,773,883	264,585,167	280,374,975	255,687,787
<u>Less</u> Provision for obsolescence	(12,804,129)	(13,841,485)	(12,804,129)	(13,841,485)
Net	274,969,754	250,743,682	267,570,846	241,846,302

9. ACCOUNTS RECEIVABLE - PLANTERS - NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Accounts receivable-planters	29,086,544	36,052,692	29,086,544	36,052,692
<u>Less</u> Allowance for doubtful accounts	(2,908,654)	(3,605,269)	(2,908,654)	(3,605,269)
Net	26,177,890	32,447,423	26,177,890	32,447,423

The Company provides allowance for doubtful accounts equal to 10% of accounts receivable-planters.

10. RECEIVABLES FROM SALES OF INVESTMENTS - NET

On April 12, 2000, the Company entered into an agreement to sell all of its investments in LAIYANG CHONGTAI FROZEN FOODS CO., LTD and C.T LAIYANG FROZEN FOODS CO.,LTD to the existing shareholder amounted to Baht 15.3 million reflecting gain on sales of investments of Baht 3.0 million, which included in income from operations for the year 2000. The proceed from sales was payable in installments up to year 2005 as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Year 2004	-	2,498,084	-	2,498,084
Year 2005	1,298,736	1,493,364	1,298,736	1,493,364
Total	1,298,736	3,991,448	1,298,736	3,991,448
<u>Less</u> Current portion	(1,298,736)	(3,991,448)	(1,298,736)	(3,991,448)
Net	-	-	-	-

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

11. INVESTMENTS IN SUBSIDIARIES

AS AT DECEMBER 31, 2005

		Paid up Capital (In Baht)	% Holdings	In Baht			
Activities				At Cost	At Equity	Dividends	
C & W	Interfoods Co., Ltd.	Frozen Dough and Bakery Products	300,000,000	49.0	147,000,000	45,226,433	-
Agrifood Processing Co.,Ltd.		Transmuted Sweet - corn distribution	30,000,000	100.0	<u>23,353,658</u>	<u>31,552,232</u>	-
Total				<u>170,353,658</u>	<u>76,778,665</u>		

AS AT DECEMBER 31, 2004

		Paid up Capital (In Baht)	% Holdings	In Baht		Dividends	
Activities				At Cost	At Equity		
C & W	Interfoods Co., Ltd.	Frozen Dough and Bakery Products	287,500,000	49.0	140,875,000	66,509,645	-
Agrifood Processing Co.,Ltd.		Transmuted Sweet - corn distribution	30,000,000	100.0	<u>23,353,658</u>	<u>21,852,211</u>	-
Total					<u>164,228,658</u>	<u>88,361,856</u>	

12. LONG - TERM LOANS TO RELATED COMPANY

	IN BAHT	
	Consolidated	The Company Only
Beginning balance	-	-
New loan	-	30,000,000
Repayment of loan	-	(5,500,000)
Ending balance	<u>-</u>	<u>24,500,000</u>

The Company entered into an agreement to loan to subsidiary (C&W Interfoods Co.,Ltd.), payable in all installments within the year 2009, interest payable monthly and bears interest at the rate 3.25 per annum.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

13. PROPERTY, PLANT AND EQUIPMENT - NET

CONSOLIDATED

IN BAHT

	Land	Building	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
As at December 31, 2004							
Cost	115,720,860	300,535,303	675,822,298	46,614,209	26,928,046	78,804,887	1,244,425,603
<u>Less</u> Accumulated							
Depreciation	-	(127,331,483)	(390,622,142)	(27,476,870)	(19,247,128)	-	(564,677,623)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>115,720,860</u>	<u>173,203,820</u>	<u>279,671,321</u>	<u>19,137,339</u>	<u>7,680,918</u>	<u>78,804,887</u>	<u>674,219,145</u>
For the year ended							
December 31, 2005							
Opening net book amount	115,720,860	173,203,820	279,671,321	19,137,339	7,680,918	78,804,887	674,219,145
<u>Add</u> Acquisition	-	3,024,935	15,320,726	3,830,023	1,556,542	142,701,578	166,433,804
Transfer in (out)	-	139,019,146	75,676,644	-	-	(214,695,790)	-
<u>Less</u> Disposals	-	-	(136,174)	(1,345,087)	(6,423)	-	(1,487,684)
Depreciation charge	-	(19,749,810)	(62,407,623)	(6,679,927)	(2,757,301)	-	(91,594,661)
Closing net book amount	<u>115,720,860</u>	<u>295,498,091</u>	<u>308,124,894</u>	<u>14,942,348</u>	<u>6,473,736</u>	<u>6,810,675</u>	<u>747,570,604</u>
As at December 31, 2005							
Cost	115,720,860	442,579,385	761,467,150	47,521,224	27,850,715	6,810,675	1,401,950,009
<u>Less</u> Accumulated							
Depreciation	-	(147,081,294)	(447,813,421)	(32,578,876)	(21,376,979)	-	(648,850,570)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>115,720,860</u>	<u>295,498,091</u>	<u>308,124,894</u>	<u>14,942,348</u>	<u>6,473,736</u>	<u>6,810,675</u>	<u>747,570,604</u>

Net book value of land and structures thereon and portion of equipment amounted to Baht 261.5 million (2004: 321.2 million) were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions and long - term loans as discussed in Notes 15 and 17 to the financial statements.

As at December 31, 2005 and 2004, the Company had gross carrying amounts that are fully depreciated. These are still in active use amounting to approximately Baht 298.7 million and Baht 173.9 million, respectively.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

THE COMPANY ONLY

IN BAHT

	Land	Building	Machineries and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	Total
At December 31, 2004							
Cost	96,383,205	251,549,684	531,422,657	33,997,229	20,822,428	78,792,045	1,012,967,248
<u>Less</u> Accumulated Depreciation	-	(121,257,601)	(354,650,798)	(22,700,412)	(16,943,171)	-	(515,551,982)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>96,383,205</u>	<u>130,292,083</u>	<u>171,243,024</u>	<u>11,296,817</u>	<u>3,879,257</u>	<u>78,792,045</u>	<u>491,886,431</u>
For the year ended December 31, 2005							
Opening net book amount	96,383,205	130,292,083	171,243,024	11,296,817	3,879,257	78,792,045	491,886,431
<u>Add</u> Acquisition	-	1,879,203	10,697,631	2,855,271	969,956	140,554,273	156,956,334
Transfer in (out)	-	139,019,146	73,542,802	-	-	(212,561,948)	-
<u>Less</u> Disposals	-	-	(136,174)	(907,344)	(6,423)	-	(1,049,941)
Depreciation charge	-	(17,269,888)	(45,592,587)	(4,067,590)	(1,356,330)	-	(68,286,395)
Closing net book amount	<u>96,383,205</u>	<u>253,920,544</u>	<u>209,754,696</u>	<u>9,177,154</u>	<u>3,486,460</u>	<u>6,784,370</u>	<u>579,506,429</u>
At December 31, 2005							
Cost	96,383,205	392,448,033	610,310,571	34,868,982	21,158,512	6,784,370	1,161,953,673
<u>Less</u> Accumulated Depreciation	-	(138,527,489)	(395,027,040)	(25,691,828)	(17,672,052)	-	(576,918,409)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>96,383,205</u>	<u>253,920,544</u>	<u>209,754,696</u>	<u>9,177,154</u>	<u>3,486,460</u>	<u>6,784,370</u>	<u>579,506,429</u>

Net book value of land and structures thereon and portion of equipment amounted to Baht 161.8 million (2004:165.7 million) were mortgaged and pledged as collateral against bank overdrafts, short-term loans from financial institutions in Notes 15 to the financial statements.

As at December 31, 2005 and 2004, the Company had gross carrying amounts that are fully depreciated. These are still in active use amounting to approximately Baht 298.7 million and Baht 173.9 million, respectively.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

14. INTANGIBLE ASSETS – NET

	IN BAHT	
	Consolidated	The Company Only
For the year ended December 31, 2005		
Opening net book value	-	-
Additions during the year	2,006,640	1,690,810
Amortisation during the year	(232,342)	(155,903)
Ending net book value	1,774,298	1,534,907
As at December 31, 2005		
Cost	2,006,640	1,690,810
<u>Less</u> Accumulative amortization	(232,342)	(155,903)
Net book value	1,774,298	1,534,907

15. BANK OVERDRAFTS

Consolidated

As at December 31, 2005 and 2004, the Company and a subsidiary have the bank overdraft and short-term loan lines amounted to Baht 421.1 million and Baht 300 million, respectively which bears interest at the rate of MOR per annum. Such overdrafts and short-term loan lines are guaranteed by mortgaging land and structures thereon and pledging machineries of the Company and a subsidiary. (Note 13)

The Company Only

As at December 31, 2005 and 2004, the Company and a subsidiary have the bank overdraft and short-term loan lines amounted to Baht 391.1 million and Baht 270 million, respectively which bears interest at the rate of MOR per annum. Such overdrafts and short-term loan lines are guaranteed by mortgaging land and structures thereon and pledging of machineries of the Company and a subsidiary. (Note 13)

16. LIABILITIES UNDER FINANCE LEASE CONTRACTS – NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Liabilities under finance lease contracts	2,431,867	4,332,747	-	-
<u>Less</u> : Current portion of liabilities under finance lease contracts	(1,634,679)	(1,741,863)	-	-
Net	797,188	2,590,884	-	-

In 2005 and 2004, subsidiary acquired its assets under financial lease contracts with a leasing term of 3 to 4 years. The leases will due within February 2008. The subsidiary has a purchase option based on the prices indicated in the contracts when the period of leases are expired.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

17. LONG -TERM LOANS – NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Loans denominated in Thai Baht	25,800,000	37,900,000	-	-
<u>Less</u> Current portion	<u>(13,200,000)</u>	<u>(13,200,000)</u>	<u>-</u>	<u>-</u>
Net	<u>12,600,000</u>	<u>24,700,000</u>	<u>-</u>	<u>-</u>

In the first quarter of year 2003, subsidiary obtained loan from a financial institution amounted to Baht 50 million. The last installments will be maturity within February 2008, the interest payment will be made on monthly basis and the loan bears interest at the rates ranging from MLR -0.75% to MLR per annum.

The aforementioned loans were collateralized by mortgaged land and structures and pledged portion of machinery of subsidiary. (Note 13)

18. LONG -TERM LOANS FROM RELATED COMPANY

	IN BAHT	
	Consolidated	The Company Only
Beginning balance	-	-
New loan	25,500,000	-
Ending balance	<u>25,500,000</u>	<u>-</u>

Subsidiary entered into an agreement to loan from related company, payable in all installments within the year 2009, interest payable monthly and bears interest at the rate 3.25 per annum.

19. SHARE CAPITAL

- According to the resolution of the shareholders' meeting held on April 28, 2005 the shareholders had the resolution to approve as follows :
 - approved the capital increasing of the Company's authorized share capital from Baht 210 million (21,000,000 of common shares with a par value of Baht 10 per share) to Baht 315 million (31,500,000 of common shares with a par value of Baht 10 per share) and
 - approved the devalue of authorized share capital from Baht 10 per share to Baht 1 per share (31,500,000 of common shares with a par value of Baht 10 per share to 315,000,000 of common shares with a par value of Baht 1 per share). The Company registered with the Ministry of Commerce on May 13, 2005.
- On May 27, 2005, the Company paid stock dividends to the existing shareholders at the ratio of 2 existing common shares to 1 common share totaling 10,499,736 shares at the rate Baht 5.0 per share with a par value of Baht 10 per share amount to Baht 104,997,360. The Company registered such changing in paid up share of authorized capital with the Ministry of Commerce on May 13, 2005

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

20. DIVIDENDS PAID

At shareholders' meeting for the year 2005 held on April 28, 2005 the shareholders had the resolution to approve the payment of cash dividends and stock dividends. To pay cash dividend from net income for the year 2004 under the Board of Investment Promotional Certificate No.1465/2542 to the shareholders for 21.0 million shares, at Baht 2.50 per share totaling Baht 52.5 million and to pay stock dividends from net income for the year 2002 - 2004 under the Board of Investment Promotional Certificate No.1465/2542 to the existing shareholders at the ratio of 2 existing common shares to 1 common shares. totaling 10.5 million shares at the rate Baht 5.0 per share with a par value of Baht 10 per share amount to Baht 105 million. The Company paid such dividends on May 27, 2005

At the Ordinary Shareholders' Meeting for the year 2004 held on April 29, 2004, the shareholders were unanimously approved the payment of Dividends from net income under the Board of Investment Promotional Certificate No. 1397/2537 to the shareholders for 21.0 million shares, at Baht 3 per share totaling Baht 63 million. Such dividends paid on May 28, 2004.

21. LEGAL RESERVE

Under the provisions of the Limited Public Company Act B.E 2535, the Company is required to appropriate at least 5% of its annual net income after deduction of the deficit brought forward (if any) as reserve fund until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution.

22. MINORITY INTEREST

	IN BAHT	
	CONSOLIDATED	
	2005	2004
Beginning balance	69,224,325	69,766,354
Increase in share capital	6,375,000	44,625,000
Acquisition of Investment in subsidiary	-	(8,057,071)
Shares of losses from subsidiaries	(28,526,915)	(37,109,958)
Ending balance	47,072,410	69,224,325

23. NUMBER OF EMPLOYEE AND STAFF COSTS

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Staff costs (Baht)	232,062,444	222,379,255	179,171,128	180,247,581
Number of employees				
as at December 31, (persons)	2,442	2,431	2,039	2,068

24. BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The number of ordinary shares are adjusted by the new issuance of ordinary shares which par value is changed from Baht 10 par value to Baht 1 par value as the change in number of ordinary shares are incurred in the beginning.

Basic earnings per share for the year ended December 31, 2004 were recalculated for comparison purpose.

25. PROMOTIONAL PRIVILEGES

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

- 25.1** Under the Board of Investment Promotional Certificate No. 1727/2531, exemption from payment of income tax for 7 years starting from the commencement date of the promoted business on February 1, 1990 to February 1, 1997.
- 25.2** Under the Board of Investment Promotional Certificate No.1063/2536, exemption from payment of income tax for 6 years starting from the commencement date of the promoted business on November 1, 1994 to November 1, 2000.
- 25.3** Under the Board of Investment Promotional Certificate No.1397/2537, exemption from payment of income tax for 8 years starting from the commencement date of the promoted business on March 3,1996 to March 3,2004.
- 25.4** Under the Board of Investment Promotional Certificate No.1465/2542 , exception from payment of income tax for eight years starting from the commencement date of the promoted business on November 1, 2001 to November 1,2009.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

As a promoted industry, the company must comply with certain conditions and restrictions provided for the promotional certificate. Results of the company's operations classified under promoted and non-promoted businesses for the year 2005 follow:

	IN BAHT		
	Promoted Business	Non-Promoted Business	Total
REVENUES			
Sales and service income	1,069,177,612	14,739,621	1,083,917,233
Share of profit of investments in subsidiaries at equity method	-	9,700,021	9,700,021
Other income	13,733,762	227,458	13,961,220
Total revenues	1,082,911,374	24,667,100	1,107,578,474
EXPENSES			
Cost of sales and service	791,964,399	17,555,794	809,520,193
Share of loss of investments in subsidiaries at equity method	-	27,408,212	27,408,212
Selling and administrative expenses	180,332,990	1,741,009	182,073,999
Total expenses	972,297,389	46,705,015	1,019,002,404
Income(Loss) before interest expenses	110,613,985	(22,037,915)	88,576,070
Interest expenses	(184,326)	(5,703)	(190,029)
Net Income (Loss)	110,429,659	(22,043,618)	88,386,041

Results of the company's operations classified under promoted and non-promoted businesses for the year 2004 follow:

	IN BAHT		
	Promoted Business	Non-Promoted Business	Total
REVENUES			
Sales and service income	1,090,506,788	33,768,573	1,124,275,361
Other income	11,790,246	8,322,234	20,112,480
Total revenues	1,102,297,034	42,090,807	1,144,387,841
EXPENSES			
Cost of sales and service	798,652,531	40,585,401	839,237,932
Share of loss of investments in subsidiaries at equity method	-	30,612,344	30,612,344
Selling and administrative expenses	177,850,799	5,262,192	183,112,991
Total expenses	976,503,330	76,459,937	1,052,963,267
Income(Loss) before interest expenses	125,793,704	(34,369,130)	91,424,574
Interest expenses	(16,084)	(477)	(16,561)
Net Income (Loss)	125,777,620	(34,369,607)	91,408,013

Definable direct cost and other income are allocated between promoted business and non-promoted business. Undefinable indirect cost and other income are allocated based on the proportion of revenues of each segment to the total revenues.

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

26. SEGMENT INFORMATION

The Company and subsidiaries are engaged in business of manufacturing and exporting of frozen fruits and vegetables, transmuted sweet corn distribution and frozen dough and bakery products and operate in one geographical area in Thailand. Therefore, these financial statements do not present the geographical segment.

The details of business segment information for the year ended December 31, 2005 are as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	1,099,536,248	12,991,505	194,070,173	1,306,597,926
Cost of sales and service	(793,362,178)	(16,158,015)	(170,926,651)	(980,446,844)
Gross profit (loss)	306,174,070	(3,166,510)	23,143,522	326,151,082
Selling expenses	(110,647,402)	(1,299,072)	(50,025,444)	(161,971,918)
Income (loss) from operating	195,526,668	(4,465,582)	(26,881,922)	164,179,164
Interest and other income				17,005,135
Central expenses				(116,198,903)
Interest expenses				(4,183,406)
Income tax				(942,864)
Minority interest in net loss				28,526,915
Net income				88,386,041

The details of segment information for the year ended December 31, 2004 are as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	1,112,485,678	29,534,587	124,784,600	1,266,804,865
Cost of sales and service	(801,010,780)	(38,227,152)	(124,965,771)	(964,203,703)
Gross profit (loss)	311,474,898	(8,692,565)	(181,171)	302,601,162
Selling expenses	(107,964,189)	(1,293,377)	(38,774,740)	(148,032,306)
Income (loss) from operating	203,510,709	(9,985,942)	(38,955,911)	154,568,856
Interest and other income				14,037,072
Central expenses				(110,037,072)
Interest expenses				(4,270,799)
Minority interest in net loss				37,109,958
Net income				91,408,013

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

The Company is engaged in business of manufacturing and exporting of frozen fruits and vegetables and transmuted sweet corn distribution and operate in one geographical area in Thailand. Therefore, these financial statements do not present the geographical segment.

The details of business segment information for the year ended December 31, 2005 are as follows:

THE COMPANY ONLY

	IN BAHT		
	Frozen Products	Transmuted Products	Total
Sales and service income	1,072,075,383	11,841,850	1,083,917,233
Cost of sales and service	(793,362,177)	(16,158,015)	(809,520,193)
Gross profit (loss)	278,713,206	(4,316,165)	274,397,040
Selling expenses	(99,475,005)	(419,229)	(99,894,234)
Income (loss) from operating	179,238,201	(4,735,394)	174,502,806
Share of profit of investments in subsidiaries at equity method			9,700,021
Interest and other income			13,961,220
Share of loss of investments in subsidiaries at equity method			(27,408,212)
Central expenses			(82,179,765)
Interest expenses			(190,029)
Net income			88,386,041

The details of segment information for the year ended December 31, 2004 are as follows:

THE COMPANY ONLY

	IN BAHT		
	Frozen Products	Transmuted Products	Total
Sales and service income	1,093,758,328	30,517,033	1,124,275,361
Cost of sales and service	(801,010,780)	(38,227,152)	(839,237,932)
Gross profit (loss)	292,747,548	(7,710,119)	285,037,429
Selling expenses	(100,409,348)	(1,058,422)	(101,467,770)
Income (loss) from operating	192,338,200	(8,768,541)	183,569,659
Interest and other income			20,112,480
Share of loss of investments in subsidiaries at equity method			(30,612,344)
Central expenses			(81,645,221)
Interest expenses			(16,561)
Net income			91,408,013

27. PROVIDENT FUND

The Company established a contributory registered provident fund in accordance with the Provident fund Act.B.E.2530 Under the provident fund, the Company contributes an amount equivalent to the employees' contribution, which is 3% of their basic salaries. The company appointed The Siam Commercial Bank Public Co., Ltd. as a fund manager to manage the fund in accordance with the Provident Fund Act (B.E. 2530), which was amended by the Provident Fund Act (No.2) (B.E. 2542), under supervision of the Office of the Securities and Exchange Commission.

The Company's contribution net of the refund amount for the year ended December 31, 2005 amounted to Baht 1.3 million (2004: Baht 1.5 million).

28. FINANCIAL INSTRUMENTS

As at December 31, 2005 the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction derivatives.

28.1 Liquidity risk

Liquidity risk, or funding risk, is the risk that the Company and subsidiaries will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

28.2 Credit risk

The risk arises from the counterparties defaulting which results in a financial loss to the Company and subsidiaries To manage this risk, the Company and subsidiaries generally requests its customers to open letters of credit. The Company does not expect any counterparties to fail to meet their obligations.

28.3 Foreign Currency Risk and Risk Management

The Company's exposure to foreign currency risk almost relates to selling in U.S. Dollars. The Company and subsidiaries primarily utilizes forward exchange contracts to hedge exchange rate risk occasionally if its necessary.

As at December 31, 2005 assets and liabilities of the Company which are not hedged as follows:

	Currencies	Amount
Receivables from sales of investment	U.S. Dollars	31,765
Accrued commission expenses	U.S. Dollars	21,072

28.4 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the subsidiaries operations and its cash flows. The subsidiaries exposure to interest rate risk relates primarily to short - term loans from financial institutions and long-term loans (the details in Notes 15 and 17 to the financial statements)

28.5 Fair value of financial instruments

The Company and subsidiaries used the following methods and assumptions in estimating the fair values of financial instruments. Because these financial instruments are in short-term maturity:

Cash and cash equivalents and accounts receivable; the carrying values approximate their fair values.

Accounts payable; the fair value based on the carrying value in the balance sheets.

Loans; the carrying values approximate their fair values.

29. COMMITMENT AND CONTINGENT LIABILITIES

As at December 31, 2005

29.1 The Company and subsidiaries have contingent liable for bank guarantees issued in favor of government agency amounting to approximately Baht 14.1 million which are pledged by subsidiary's fixed deposit amounting to Baht 4.6 million.

29.2 The Company has commitment to pay the uncalled investments in Agrifood Processing Co.,Ltd. amounting to approximately Baht 90 million.

29.3 The Company and subsidiaries had forward contracts for exchange rate with local financial institution to protect against the risks amounting approximately U.S. Dollars 3.6 million equivalent to Thai Baht approximately Baht 149.7 million. Such contracts will effective within 2006.

30. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the directors of the company.