

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31,2003 AND 2002

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 FINANCIAL STATEMENT AND CONSOLIDATED FINANCIAL STATEMENT 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 by the Institute of Certified Accountants and Auditors of Thailand and approved under law by the Board of Supervision of Auditing Practices appointed by the Minister of Commerce under the Auditor Act, B.E. 2505, 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:

	<u>PERCENTAGE OF HOLDING</u>		<u>NATURE OF</u>
	<u>2003</u>	<u>2002</u>	<u>BUSINESS</u>
C&W INTERFOODS CO.,LTD.	49.00	49.00	Frozen Dough and Bakery Products
AGRIFOOD PROCESSING CO., LTD.	51.00	-	Transmuted Sweet Corn Distribution

During the year 2003, a subsidiary increased in an authorized share capital amounted to Baht 60.25 million by the Company had accrued share subscription in such subsidiary amounted to Baht 9.8 million.

Subsidiary undertakings are those companies in which the Group, directly, 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 financial statements.

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003 AND 2002

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.

3.4 Inventories

Inventories are valued at the lower of cost (weighted average) or net realizable value, after provision for obsolescence.

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.

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

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

	<u>No. of Years</u>
Buildings	20
Machinery 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 Interest Capitalization

Subsidiary capitalizes interest on loan for the construction of plant, machinery and equipment under construction and/or installation as part of the cost of assets. Capitalization of interest will cease when those assets are ready for use in the operations.

Interest capitalized as part of the cost of assets for the year 2002 amounted to approximately Baht 0.3 million.

3.8 Finance Lease

Leases of assets where the Company and subsidiary 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.

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003 AND 2002

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 Revenue Recognition

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

3.12 Income Tax

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

3.13 Basic Earnings per Share

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

4. TRANSACTION WITH PERSON AND RELATED PARTIES

The Company have 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 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.

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

4.1 Relationships and pricing policies

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

	Relation Ships		Pricing policy
<u>Subsidiary :</u>			
Agrifood Processing Co., Ltd.	Shareholders	Sales	At normal business prices, as same as other entities.
		Rental revenue	At normal business prices based on usage area.
<u>Related companies :</u>			
Itochu Corporation Co., Ltd.	Shareholders	Sales	At normal business prices, as same as other entities.
P.P Foods Supply Co., Ltd.	Shareholders	Sales	At normal business prices, as same as other entities.
Ing shiang Co., Ltd.	Shareholders	Sales	At normal business prices, as same as other entities.
<u>Related person :</u>			
Mr. Suwat Phongphasura	Director	Loans	Non - interest bearing

4.2 Balances of transactions with Subsidiary , Person and Related Companies

Balances of transactions among the Company, Subsidiary, Person and Related companies as at December 31, 2003 and 2002 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Accounts receivable				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	7,442,841	-
Related companies				
Itochu Corporation Co., Ltd.	5,405,574	2,239,593	5,405,574	2,239,593
P.P Foods Supply Co., Ltd.	5,746,508	2,599,115	5,746,508	2,599,115
Ing shiang Co., Ltd.	-	494,492	-	494,492
Total	11,152,082	5,333,200	11,152,082	5,333,200
Grand Total	11,152,082	5,333,200	18,594,923	5,333,200
Other current assets				
Agrifood Processing Co., Ltd	-	-	296,810	-
Short – term loan from related person				
Mr. Suwat Phongphasura	3,000,000	-	-	-

IN BAHT

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Share subscription payable				
C&W Interfoods Co.,Ltd.	-	-	9,800,000	-
Accrued expenses				
Agrifood Processing Co., Ltd	-	-	30,000	-
Other current liabilities				
Agrifood Processing Co., Ltd	-	-	9,770,439	-

4.3 Revenue among the Company , Subsidiary and Related Companies

Revenue among the Company , Subsidiary and Related companies for the years ended December 31, 2003 and 2002 are as follows :

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Sales				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	31,826,284	-
Related companies				
Itochu Corporation Co., Ltd.	182,276,394	121,400,268	182,276,394	121,400,268
P.P Foods Supply Co., Ltd.	14,120,616	11,159,427	14,120,616	11,159,427
Ing shiang Co., Ltd.	-	502,644	-	502,644
Total	196,397,010	133,062,339	196,397,010	133,062,339
Grand Total	196,397,010	133,062,339	228,223,294	133,062,339
Other income				
Agrifood Processing Co., Ltd.	-	-	621,574	-

5. CASH AND CASH EQUIVALENTS

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Cash on hand	1,238,000	317,244	972,709	118,155
Regular checking account	2,438,416	740,415	1,003	1,931
Savings account	194,742,819	78,252,187	182,078,223	76,691,089
Fixed deposits	-	21,356,974	-	21,356,974
Promissory notes	-	156,180,002	-	156,180,002
Total	198,419,235	256,846,822	183,051,935	254,348,151

The weighted average effective interest rates of deposits at financial institutions were 0.25% – 0.75 % per annum (2002: 0.25 % – 1.8 % per annum)

6. CURRENT INVESTMENTS

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003 AND 2002

Current investments are deposits at financial institution - fixed deposits which bear interest at the rate of 1.10 % per annum in 2003 (0.5% – 1.8% per annum in 2002)

7. ACCOUNTS RECEIVABLE – TRADE

The aging of outstanding balances as at December 31, 2003 and 2002 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Accounts Receivable–Related Companies				
Past due not over 3 months	9,502,134	4,838,708	16,944,975	4,838,708
Over 3 months	1,649,948	494,492	1,649,948	494,492
Total Accounts Receivable–Related Companies	<u>11,152,082</u>	<u>5,333,200</u>	<u>18,594,923</u>	<u>5,333,200</u>
Accounts Receivable–Other Companies				
Past due not over 3 months	56,246,161	30,014,835	31,137,031	22,444,022
Over 3 months	271,782	3,532,140	271,782	3,442,524
Total Accounts Receivable–Other Companies	<u>56,517,943</u>	<u>33,546,975</u>	<u>31,408,813</u>	<u>25,886,546</u>

6. INVENTORIES

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Finished goods and semi – product	236,890,235	136,831,391	236,769,794	136,598,474
Seeds, insecticide, fertilizer	26,874,539	20,960,931	26,874,539	20,960,931
Raw material and supplies	37,875,992	30,072,963	32,298,406	26,973,630
Total	301,640,766	187,865,285	295,942,739	184,533,035
<u>Less</u> Provision for obsolescence	<u>(18,617,480)</u>	<u>(7,629,996)</u>	<u>(18,617,480)</u>	<u>(7,629,996)</u>
Net	<u>283,023,286</u>	<u>180,235,289</u>	<u>277,325,259</u>	<u>176,903,039</u>

9. ACCOUNTS RECEIVABLE - PLANTERS - NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Accounts receivable-planters	26,757,059	33,174,798	26,757,059	33,174,798
<u>Less</u> Allowance for doubtful account	<u>(2,675,706)</u>	<u>(3,317,479)</u>	<u>(2,675,706)</u>	<u>(3,317,479)</u>
Net	<u>24,081,353</u>	<u>29,857,319</u>	<u>24,081,353</u>	<u>29,857,319</u>

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

10. RECEIVABLES FROM SALES OF INVESTMENTS IN SUBSIDIARIES

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

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 shareholders. The sale price was payable in installments up to year 2005 as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Year 2002	-	1,801,727	-	1,801,727
Year 2003	1,636,884	3,512,356	1,636,884	3,512,356
Year 2004	3,110,484	3,390,891	3,110,484	3,390,891
Year 2005	1,513,459	1,649,896	1,513,459	1,649,896
Total	6,260,827	10,354,870	6,260,827	10,354,870
Less Current portion	(4,747,368)	(5,314,083)	(4,747,368)	(5,314,083)
Net	1,513,459	5,040,787	1,513,459	5,040,787

11. INVESTMENTS IN SUBSIDIARIES

AS AT DECEMBER 31, 2003

Activities	Paid up Capital (In Baht)	% Holdings	In Baht		Dividends
			At Cost	At Equity	
C & W Interfoods Co., Ltd.	Frozen Dough and				
		220,000,000	49.0	107,800,000	64,643,871
					-
Agrifood Processing Co., Ltd.	Bakery Products Transmuted Sweet corn distribution	30,000,000	51.0	15,300,000	13,201,671
					-
Total			123,100,000	77,845,542	

AS AT DECEMBER 31, 2002

Activities	Paid up Capital (In Baht)	% Holdings	In Baht		Dividends
			At Cost	At Equity	
C & W Interfoods Co., Ltd.	Frozen Dough , Bakery Products	159,750,000	49.0	78,277,500	65,887,517
					-

On April 30, 2003, the Company had entered into the Joint Venture Agreement with River Kwai International to engage in manufacturing and distributing of frozen sweet corn and other transmuted sweet corn by establishing the registered company, Agrifood Processing Co.,Ltd. which authorized share capital, Baht 120 million and paid-up 25% amounted to Baht 30 million with the proportion 51%. Such subsidiary was incorporated as a limited company with Ministry of Commerce on June 6, 2003.

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

12. PROPERTY, PLANT AND EQUIPMENT - NET

CONSOLIDATED

	In Baht						Total
	Land	Building	Machinery and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
At December 31, 2002							
Cost	92,625,247	289,816,768	556,601,113	28,466,904	21,824,837	13,421,025	1,002,755,894
<u>Less</u> Accumulated Depreciation	-	(97,176,215)	(284,847,661)	(17,679,468)	(15,612,793)	-	(415,316,137)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>92,625,247</u>	<u>192,640,553</u>	<u>266,224,617</u>	<u>10,787,436</u>	<u>6,212,044</u>	<u>13,421,025</u>	<u>581,910,922</u>
For the year ended December 31, 2003							
Opening net book amount	92,625,247	192,640,553	266,224,617	10,787,436	6,212,044	13,421,025	581,910,922
<u>Add</u> Acquisition	16,195,613	1,210,370	22,035,960	9,469,341	4,223,901	39,366,920	92,502,105
Transfer	-	7,014,316	43,188,185	-	-	(50,202,501)	-
<u>Less</u> Disposals	-	-	(163,035)	(328,576)	(514,158)	-	(1,005,769)
Depreciation charge	-	(14,885,179)	(51,275,025)	(4,938,956)	(2,116,277)	-	(73,215,437)
Closing net book amount	<u>108,820,860</u>	<u>185,980,060</u>	<u>280,010,702</u>	<u>14,989,245</u>	<u>7,805,510</u>	<u>2,585,444</u>	<u>600,191,821</u>
At December 31, 2003							
Cost	108,820,860	298,041,454	621,303,722	36,772,932	25,000,666	2,585,444	1,092,525,078
<u>Less</u> Accumulated Depreciation	-	(112,061,394)	(335,764,185)	(21,783,687)	(17,195,156)	-	(486,804,422)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>108,820,860</u>	<u>185,980,060</u>	<u>280,010,702</u>	<u>14,989,245</u>	<u>7,805,510</u>	<u>2,585,444</u>	<u>600,191,821</u>

THE COMPANY ONLY

	In Baht						Total
	Land	Building	Machinery and equipment	Vehicle	Office equipment and fixtures	Building in progress and machinery under installation	
At December 31, 2002							
Cost	73,287,592	244,004,368	442,854,627	23,433,098	17,900,186	13,356,315	814,836,186
<u>Less</u> Accumulated Depreciation	-	(95,853,331)	(276,856,021)	(17,085,210)	(15,225,994)	-	(405,020,556)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>73,287,592</u>	<u>148,151,037</u>	<u>160,469,771</u>	<u>6,347,888</u>	<u>2,674,192</u>	<u>13,356,315</u>	<u>404,286,795</u>
For the year ended December 31, 2003							
Opening net book amount	73,287,592	148,151,037	160,469,771	6,347,888	2,674,192	13,356,315	404,286,795
<u>Add</u> Acquisition	16,195,613	-	12,199,570	2,345,794	2,309,044	38,700,747	71,750,768
Transfer	-	7,014,316	43,188,185	-	-	(50,202,501)	-
<u>Less</u> Disposals	-	-	(157,599)	(2)	(4,027)	-	(161,628)
Depreciation charge	-	(12,552,458)	(38,228,374)	(3,122,724)	(1,138,018)	-	(55,041,574)
Closing net book amount	<u>89,483,205</u>	<u>142,612,895</u>	<u>177,471,553</u>	<u>5,570,956</u>	<u>3,841,191</u>	<u>1,854,561</u>	<u>420,834,361</u>
At December 31, 2003							
Cost	89,483,205	251,018,684	497,729,634	25,017,819	19,781,318	1,854,561	884,885,221
<u>Less</u> Accumulated Depreciation	-	(108,405,789)	(314,729,246)	(19,446,863)	(15,940,127)	-	(458,522,025)
Impairment of assets	-	-	(5,528,835)	-	-	-	(5,528,835)
Net book amount	<u>89,483,205</u>	<u>142,612,895</u>	<u>177,471,553</u>	<u>5,570,956</u>	<u>3,841,191</u>	<u>1,854,561</u>	<u>420,834,361</u>

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

Net book value of land and structures thereon and portion of equipment amounted to of Baht 475.7 million were mortgaged and pledged as collateral against bank overdraft ,short-term loans from financial institutions and long - term loans as discussed in Notes 13 and 16 to the financial statements.

As at December 31,2003 and 2002, the Company had gross carrying amounts that are fully depreciated . These are still in active use amounting to approximately Baht 179.2 million and Baht 96.5 million , respectively.

13. OVERDRAFT AND SHORT – TERM LOANS FROM FINANCIAL INSTITUTIONS

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Bank overdraft	35,566,555	237,697	772,368	-
Import loan	-	680,604	-	-
Short-term loan	-	5,000,000	-	-
Total	<u>35,566,555</u>	<u>5,918,301</u>	<u>772,368</u>	<u>-</u>

In 2003 and 2002, the Company and subsidiaries have the overdraft line and short - term loans from a local financial institution amounted to Baht 80 million and Baht 45 million , respectively. Import loan bears interest at the rate of 6.25 % per annum, short-term loan bears interest at the rate of MLR-1 per annum and bank overdraft loan bears interest at the rate of MOR per annum. Such loans are guaranteed by mortgaged of loan and structures thereon and pledged portion of machinery of the Company and subsidiary.

14. LIABILITIES UNDER FINANCE LEASE CONTRACTS - NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Liabilities under finance lease contracts	5,664,133	1,102,947	-	-
Less : Current portion of liabilities under finance lease contracts	<u>(1,752,830)</u>	<u>(385,573)</u>	<u>-</u>	<u>-</u>
Net	<u>3,911,303</u>	<u>717,374</u>	<u>-</u>	<u>-</u>

In 2003 and 2002 ,subsidiary acquired its assets under financial lease contracts with a leasing company for a period of 3 to 4 years , which will due within June 2007. (In 2002 : November 2006) Value of its assets under such lease contracts amounted to approximately Baht 7.6 million. (In 2002: Baht 1.6 million) Subsidiary has a purchase option based on the prices indicated in the contracts when the period of leases are expired.

15. LIABILITIES UNDER HIRE - PURCHASE CONTRACTS - NET

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Liabilities under hire – purchase contracts	256,392	769,176	-	-
<u>Less</u> Deferred interest charges	(5,212)	(38,645)	-	-
Current portion of				
Liabilities under hire – purchase contracts (Net of deferred interest charges amounted to Baht 5,212 in 2003 and Baht 33,433 in 2002)	(251,180)	(479,351)	-	-
Net	-	251,180	-	-

The ownership of the assets under hire - purchase contracts will be transferred to the Subsidiary when the last installment is paid.

16. LONG -TERM LOANS – NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Loans denominated in Thai Baht	50,000,000	43,480,851	-	-
<u>Less</u> Current portion	(12,100,000)	(2,550,000)	-	-
Net	37,900,000	40,930,851	-	-

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

In 2002, loans denominated in Baht are from local financial institutions consist of :-

The first loan of Baht 29.8 million, last installments within April 2008, interest payable on monthly basis and bears interest at the rates ranging from MLR-1 to MLR per annum.

The second loan of Baht 13.7 million , last installments within February 2007, interest payable on monthly basis and bears interest at the rates ranging from MLR-1 to MLR per annum.

Subsidiary has already fully paid for loans which obtained in year 2002 during the first quarter of year 2003.

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

17. LEGAL RESERVE

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

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. As at December 31,2003 and 2002, the Company's legal reserve reaches 10 % of authorized share capital.

18. MINORITY INTEREST

	IN BAHT	
	CONSOLIDATED	
	2003	2002
Beginning balance	68,576,804	9,401,380
Increase during the year	45,427,500	71,472,500
<u>Less</u> Share subscription receivable	(10,200,000)	-
Shares of losses from subsidiaries	(34,037,950)	(12,297,076)
Ending balance	<u>69,766,354</u>	<u>68,576,804</u>

19. DIVIDENDS

At the Ordinary Shareholders' Meeting for the year 2003 held on April 30, 2003, 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 million shares, at Baht 3 per share totalling Baht 63 million. Such dividends paid on May 30, 2003.

At the Ordinary Shareholders' Meeting for the year 2002 held on April 30, 2002, 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 million shares, at Baht 4 per share totalling Baht 84 million. Such dividends paid on May 30, 2002.

20. PROFIT FROM OPERATING

The following expenditures, classified by nature, have been charged in profit from operating as follows :

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Depreciation on property and equipment (Note 12)	73,215,437	62,805,266	55,041,574	52,502,872
Staff costs	196,704,845	155,642,289	164,301,155	143,321,918
Number of employees as at December 31, (person)	2,606	1,977	2,216	1,753

21. PROMOTIONAL PRIVILEGES

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

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

- 21.1 Under the Board of Investment Promotional Certificate No.1727/2531, exemption from payment of income tax for seven years starting from the commencement date of the promoted business on February 1,1990 to February 1,1997.
- 21.2 Under the Board of Investment Promotional Certificate No.1063/2536, exemption from payment of income tax for six years starting from the commencement date of the promoted business on November 1,1994 to November 1,2000.
- 21.3 Under the Board of Investment Promotional Certificate No.1397/2537, exemption from payment of income tax for eight years starting from the commencement date of the promoted business on March 3, 1996 to March 3, 2004.
- 21.4 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.

Sales for the years ended December 31,2003 and 2002 were the entire amount of the promoted business.

As an investment promoted company, the Company is required to comply with the conditions and stipulations provided in the Investment Promotion Certification.

22. SEGMENTED INFORMATION

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31,2003 AND 2002

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.The detail of segment information for the year ended December 31,2003 are as follows:

CONSOLIDATED

	IN BAHT			
	Frozen	Transmuted		
	Products	Products	Bakery	Total
Net sales	993,645,275	26,880,715	75,876,190	1,096,402,180
Cost of sales	(692,392,574)	(42,688,822)	(86,141,557)	(821,222,953)
Gross profit (loss)	301,252,701	(15,808,107)	(10,265,367)	275,179,227
Selling expenses	(96,913,238)	(1,694,957)	(32,043,873)	(130,652,068)
Income (loss) from operating	204,339,463	(17,503,064)	(42,309,240)	144,527,159
Interest and other income				18,850,313
Central expenses				(93,145,008)
Interest expenses				(4,109,693)
Income tax				(775,088)
Minority interest in net loss				34,037,950
Net income				99,385,633
Property , plant and equipment-net				600,191,821
As at December 31, 2003				
Other assets				700,129,918
Total assets				1,300,321,739

The detail of segment information for the year ended December 31, 2002 are as follows:

CONSOLIDATED

	IN BAHT		
	Frozen		
	Products	Bakery	Total
Net sales	816,035,391	36,097,542	852,132,933
Cost of sales	(564,480,023)	(38,771,831)	(603,251,854)
Gross profit (loss)	251,555,368	(2,674,289)	248,881,079
Selling expenses	(75,179,751)	(7,869,827)	(83,049,578)
Income (loss) from operating	176,375,617	(10,544,116)	165,831,501
Interest and other income			7,008,467
Central expenses			(89,814,765)
Interest expenses			(1,516,181)
Income tax			(2,738,356)
Minority interest in net loss			12,297,076
Net income			91,067,742
Property , plant and equipment-net			581,910,922
as at December 31, 2002			
Other assets			634,616,595
Total assets			1,216,527,517

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003 AND 2002

23. 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, 2003 amounted to Baht 1.1 million (2002: Baht 1.2 million).

24. FINANCIAL INSTRUMENTS

As at December 31, 2003, the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction (derivatives).

24.1 Liquidity risk

Liquidity risk, or funding risk, is the risk that the Company 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.

24.2 Credit risk

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

24.3 Foreign Currency Risk and Risk Management

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

As at December 31, 2003, assets and liabilities of the Company which are not hedged as follows :

	Currencies	The Company only
Receivables from sales of investment	U.S. Dollars	158,729
Accrued commission expenses	U.S. Dollars	15,035

CHAINGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2003 AND 2002

24.4 Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the subsidiary's operations and its cash flows. The subsidiary's exposure to interest rate risk relates primarily to short - term loans from financial institutions and long-term loans (the details in Notes 13 and 16 to the financial statements)

24.5 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

25. COMMITMENT AND CONTINGENT LIABILITIES

As at December 31, 2003

- 25.1 The Company and subsidiary have contingent liability for banks guarantee issued in favor of government agency amounting to approximately Baht 6.7 million which are pledged by subsidiary's fixed deposit amounting to Baht 0.8 million.
- 25.2 The Company has commitment to pay the uncalled investments in a subsidiary amounting to approximately Baht 45.9 million.
- 25.3 The Company had forward exchange contracts to protect the effect with local financial institutions amounting approximately U.S. Dollars 2.6 million equivalent to Thai Baht approximately Baht 103.6 million. Such contracts will effective within 2004.

26. RECLASSIFICATION OF ACCOUNTS

Certain accounts in 2002 financial statements have been reclassified to conform with the 2003 financial statement presentation with no effect on previously reported net earnings or shareholder's equity.