

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006 AND 2005 (REVIEWED) AND DECEMBER 31, 2005 (AUDITED)**

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**1. BASIS OF INTERIM FINANCIAL STATEMENT AND CONSOLIDATED INTERIM FINANCIAL STATEMENT PREPARATION**

The accompanying interim financial statements and consolidated interim financial statements are 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 primary financial statements (i.e. balance sheets, statements of income, changes in shareholders' equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard 41, 'Interim Financial Reporting' and additional notes are presented as required by the Securities and Exchange Commission.

The accompanying interim financial statements and consolidated interim financial statements are prepared as additional information to financial statements for the year ended December 31, 2005 with the emphasis on the more current information about activities, events and situations, not a duplicate of information previously reported. These interim financial statements should therefore be read in conjunction with the financial statements for the year ended December 31, 2005.

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

	<u>PERCENTAGE OF HOLDING</u>		<u>NATURE OF BUSINESS</u>
	<u>2006</u>	<u>2005</u>	
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.

Subsidiaries 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 interim financial statements.

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**2. SIGNIFICANT ACCOUNTING POLICIES**

Significant accounting policies and the methods of computation used to prepare the interim financial statements and the interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2006 are consistent with those used to prepared the financial statements for the year ended December 31, 2005.

**3. 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.

**3.1 Relationships and pricing policies**

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

	<u><b>Relationships</b></u>
<b><u>Subsidiaries :</u></b>	
Agrifood Processing Co., Ltd.	Shareholding and Directorship
C&W Interfoods Co.,Ltd.	Shareholding and Directorship
<b><u>Related companies :</u></b>	
Itochu Corporation Co., Ltd.	Shareholders
P P Foods Supply Co., Ltd.	Cross shareholding
Ing shiang Co., Ltd.	Cross shareholding
Agri World Co.,Ltd.	Common shareholders and directors
C.T.Prosper Group Co.,Ltd	Common shareholders and directors
Wonder Interfoods Co.,Ltd	Shareholding in subsidiary
	<u><b>Pricing policy</b></u>
Sales	At normal business prices, as same as other entities.
Rental revenue	At contract price which had been agreed upon and normal business price.
Service expenses	At normal business prices, as same as other entities.
Loans from/Loans to	At interest rate 3.25% - 8.00% per annum.
Service expenses	At price which had been agreed upon and normal business price.

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**3.2 Balances of transactions with subsidiary, persons and related companies**

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
<b>Accounts receivable</b>				
<b><u>Subsidiary</u></b>				
Agrifood Processing Co., Ltd.	-	-	10,542,351	5,467,450
<b><u>Related companies</u></b>				
Itochu Corporation Co., Ltd.	10,168,612	7,238,206	9,237,877	5,134,949
P P Foods Supply Co., Ltd.	9,383,750	10,960,040	9,383,750	10,960,040
Ing shiang Co., Ltd.	1,144,243	2,174,684	472,464	423,162
Total	20,696,605	20,372,930	19,094,091	16,518,151
Grand Total	20,696,605	20,372,930	29,636,442	21,985,601
<b>Other receivable</b>				
C.T.Prosper Group Co.,Ltd.	-	-	12,625	-
<b>Accrued interest</b>				
C&W Interfoods Co.,Ltd.	-	-	65,445	67,627
<b>Long - term loans to</b>				
C&W Interfoods Co.,Ltd.	-	-	24,500,000	24,500,000
Interest rate 3.25% per annum				
<b>Other payable</b>				
P P Foods Supply Co., Ltd.	88,870	39,659	-	-
<b>Long - term loans from</b>				
Agri World Co.,Ltd.	2,000,000	-	-	-
Interest rate 8% per annum				
C.T.Prosper Group Co.,Ltd.	4,000,000	-	-	-
Interest rate 8% per annum				
Wonder Interfoods Co.,Ltd.	25,500,000	25,500,000	-	-
Interest rate 3.25% per annum				
Total	31,500,000	25,500,000	-	-
<b>Accrued Interest Expenses</b>				
Agri World Co.,Ltd.	1,753	-	-	-
C.T.Prosper Group Co.,Ltd.	18,219	-	-	-
Wonder Interfoods Co.,Ltd.	68,116	39,659	-	-
Total	88,088	39,659	-	-
<b>Accrued Commission Expenses</b>				
<b>Related persons</b>	352,837	385,998	352,837	385,998
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	1,645,167	382,720	1,489,580	360,888
P P Foods Supply Co., Ltd.	2,766,828	3,030,142	2,766,828	3,030,142
Ing shiang Co., Ltd.	573,037	98,839	573,037	98,839
Total	4,985,032	3,511,701	4,829,445	3,489,869
Grand Total	5,337,869	3,897,699	5,182,282	3,875,867
<b>Deposit</b>				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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During the period, the movements of loans to related companies are as follows:-

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
Beginning balance	-	-	24,500,000	-
New loan	-	-	-	30,000,000
Repayment of loan	-	-	-	(5,500,000)
Ending balance	-	-	24,500,000	24,500,000

The Company entered into an agreement to loan to subsidiary (C&W Interfoods Co.,Ltd.), payable in all installments within the year 2010, interest payable monthly and bears interest at the rate 3.25 per annum.

During the period, the movements of loans from related companies are as follows:-

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
Beginning balance	25,500,000	-	-	-
New loan	6,000,000	30,000,000	-	-
Repayment of loan	-	(4,500,000)	-	-
Ending balance	31,500,000	25,500,000	-	-

### 3.3 Revenue and Expenses among the company, subsidiary and related companies

Revenue and Expenses between the company, subsidiary and related companies for the three-month periods ended September 30, 2006 and 2005 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Sales</b>				
<b>Subsidiary</b>				
Agrifood Processing Co., Ltd.	-	-	37,279,844	29,602,448
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	45,098,245	37,541,543	39,556,556	28,847,937
P P Foods Supply Co., Ltd.	4,168,050	5,918,465	4,168,050	5,918,465
Ing shiang Co., Ltd.	1,808,890	1,769,978	472,887	-
Total	51,075,185	45,229,986	44,197,493	34,766,402
Grand Total	51,075,185	45,229,986	81,477,337	64,368,850

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	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Other income</b>				
<b>Subsidiary</b>				
Agrifood Processing Co., Ltd.	-	-	156,360	150,703
<b>Related companies</b>				
C.T.Prosper Group Co.,Ltd	22,500	22,500	22,500	22,500
Total	<u>22,500</u>	<u>22,500</u>	<u>178,860</u>	<u>173,203</u>
<b>Interest Income</b>				
C&W Interfoods Co.,Ltd.	-	-	200,698	241,346
<b>Commission Expenses</b>				
<b>Related Persons</b>	-	295,622	-	295,622
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	889,516	738,281	777,265	549,010
P P Foods Supply Co., Ltd.	542,755	638,067	542,755	638,067
Ing shiang Co., Ltd.	276,887	292,115	276,887	292,115
Total	<u>1,709,158</u>	<u>1,668,463</u>	<u>1,596,907</u>	<u>1,479,192</u>
Grand Total	<u>1,709,158</u>	<u>1,964,085</u>	<u>1,596,907</u>	<u>1,774,814</u>
<b>Interest Expenses</b>				
Agri World Co.,Ltd.	1,753	-	-	-
C.T.Prosper Group Co.,Ltd.	18,219	-	-	-
Wonder Interfoods Co.,Ltd.	208,890	-	-	-
Total	<u>228,862</u>	<u>-</u>	<u>-</u>	<u>-</u>

Revenue and Expenses between the Company, Subsidiary and Related Companies for the nine-month periods ended September 30, 2006 and 2005 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Sales</b>				
<b>Subsidiary</b>				
Agrifood Processing Co., Ltd.	-	-	103,704,719	75,439,672
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	110,618,159	99,278,127	94,834,227	84,864,668
P P Foods Supply Co., Ltd.	13,527,455	16,049,540	13,527,455	16,046,280
Ing shiang Co., Ltd.	1,808,890	5,462,486	472,887	1,954,966
Total	<u>125,954,504</u>	<u>120,790,153</u>	<u>108,834,569</u>	<u>102,865,914</u>
Grand Total	<u>125,954,504</u>	<u>120,790,153</u>	<u>212,539,288</u>	<u>178,305,586</u>
<b>Other income</b>				
<b>Subsidiary</b>				
Agrifood Processing Co., Ltd.	-	-	469,080	524,823
<b>Related companies</b>				
C.T.Prosper Group Co.,Ltd	67,500	67,500	67,500	67,500
Total	<u>67,500</u>	<u>67,500</u>	<u>536,580</u>	<u>592,323</u>
<b>Interest revenue</b>				
C&W Interfoods Co.,Ltd.	-	-	595,551	404,736
<b>Service expenses</b>				
Agri World Co.,Ltd.	-	4,552,702	-	4,552,702

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	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
<b>Commission Expenses</b>				
<b>Related Persons</b>	-	423,114	-	423,114
<b>Related companies</b>				
Itochu Corporation Co., Ltd.	2,198,506	1,933,141	1,870,225	1,638,817
P P Foods Supply Co., Ltd.	1,901,919	2,758,310	1,901,919	2,758,310
Ing shiang Co., Ltd.	803,107	854,774	803,107	854,774
Total	4,903,532	5,546,225	4,575,251	5,251,901
Grand Total	4,903,532	5,969,339	4,575,251	5,675,015
<b>Interest Expenses</b>				
P P Foods Supply Co.,Ltd.	-	9,925	-	-
Agri World Co.,Ltd.	1,753	-	-	-
C.T.Prosper Group Co.,Ltd.	18,219	-	-	-
Wonder Interfoods Co.,Ltd.	619,860	-	-	-
Total	639,832	9,925	-	-

**4. TRADE ACCOUNTS RECEIVABLE**

The aging of outstanding balances as at September 30, 2006 and December 31, 2005 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
Accounts receivable - Related Companies				
Not yet due receivables	13,461,391	8,219,025	22,401,228	13,686,475
Over due within 1 month to 3 months	5,279,214	7,881,199	5,279,214	5,305,309
Over due within 4 months to 6 months	1,956,000	4,272,706	1,956,000	2,993,817
Total accounts receivable - Related Companies	20,696,605	20,372,930	29,636,442	21,985,601
Trade accounts receivable - Other Companies				
Not yet due receivables	74,016,917	48,175,153	40,916,935	32,990,135
Over due within 1 month to 3 months	25,534,387	23,897,646	2,590,759	7,438,889
Over due within 4 months to 6 months	1,291,281	1,095,619	386,561	1,765,014
Over due within 7 months to 12 months	830,382	1,874,248	386,561	1,758,881
Over due over 12 months	1,728,056	1,161,164	399,754	30,000
Total accounts receivable - Other Companies	103,401,023	76,203,830	44,680,570	43,982,919
Less Allowance for doubtful accounts	(2,389,365)	(1,131,164)	(1,142,876)	-
Total accounts receivable - Other Companies-net	101,011,658	75,072,666	43,537,694	43,982,919

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**5. INVENTORIES - NET**

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
Finished goods and semi – products	253,296,822	232,418,182	253,119,802	232,348,450
Seeds, insecticide, fertilizer	21,233,831	24,693,847	21,233,831	20,460,693
Raw material and supplies	32,995,723	30,661,854	25,284,352	27,565,832
Total	307,526,376	287,773,883	299,637,985	280,374,975
<u>Less</u> Provision for obsolescence	(13,775,330)	(12,804,129)	(13,775,330)	(12,804,129)
Net	293,751,046	274,969,754	285,862,655	267,570,846

**6. ACCOUNTS RECEIVABLE - PLANTERS - NET**

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
Accounts receivable-planters	29,288,756	29,086,544	29,288,756	29,086,544
<u>Less</u> Allowance for doubtful accounts	(2,928,876)	(2,908,654)	(2,928,876)	(2,908,654)
Net	26,359,880	26,177,890	26,359,880	26,177,890

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

**7. INVESTMENTS IN SUBSIDIARIES**

**AS AT SEPTEMBER 30, 2006**

	Activities	Paid up Capital (In Baht)	% Holdings	In Baht		
				At Cost	At Equity	Dividends
C & W Interfoods Co., Ltd.	Frozen Dough , Bakery Products	300,000,000	49.0	147,000,000	32,293,441	-
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution	30,000,000	100.0	23,353,658	32,099,170	-
Total				170,353,658	64,392,611	

**AS AT DECEMBER 31, 2005**

	Activities	Paid up Capital (In Baht)	% Holdings	In Baht		
				At Cost	At Equity	Dividends
C & W Interfoods Co., Ltd.	Frozen Dough , 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	23,353,658	31,552,232	-

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Total	170,353,658	76,778,665
<b>8. PROPERTY , PLANT AND EQUIPMENT - NET</b>		

	IN BAHT	
	Consolidated	The Company Only
For the nine-month period ended September 30, 2006		
Opening net book amount	747,570,604	579,506,429
Acquisition	59,460,668	51,045,689
Disposals	(557,461)	(252,590)
Depreciation	(71,734,893)	(53,609,628)
Closing net book amount	734,738,918	576,689,900

Net book value of land, building and machinery amounted to Baht 249.30 million were mortgaged and pledged as collateral against bank overdrafts and short-term loans from financial institutions as discussed in Notes 10 and long - term loans from financial institutions as discussed in Notes 11 to the financial statements.

**9. INTANGIBLE ASSETS - NET**

	IN BAHT	
	Consolidated	The Company Only
Transaction for the period ended September 30, 2006		
Opening net book value	1,774,298	1,534,907
<u>Less</u> Amortization during the period	(313,815)	(235,082)
Closing net book value	1,460,483	1,299,825
As at September 30, 2006		
Cost	2,006,640	1,690,810
<u>Less</u> Accumulative amortization	(546,157)	(390,985)
Net book value	1,460,483	1,299,825

**10. BANK OVERDRAFTS**

Consolidated

As at September 30, 2006 and December 31, 2005, the Company and a subsidiary have the bank overdrafts and short-term loan lines amounted to Baht 380.0 million and Baht 421.1 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 8)

The Company Only

As at September 30, 2006 and December 31, 2005, the Company has the bank overdrafts and short-term loan lines amounted to Baht 350.0 million and Baht 391.1 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 8)



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**11. LONG - TERM LOANS - NET**

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2006	December 31, 2005	September 30, 2006	December 31, 2005
Long – term loans	14,800,000	25,800,000	-	-
<u>Less</u> Current portion	<u>(13,200,000)</u>	<u>(13,200,000)</u>	<u>-</u>	<u>-</u>
Net	<u>1,600,000</u>	<u>12,600,000</u>	<u>-</u>	<u>-</u>

In the first quarter of 2003, a subsidiary obtained loan from a financial institution amounted to Baht 50 million, payable in installments through February 2008, interest payable monthly and 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 8)

**12. 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 shares 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 capital with the Ministry of Commerce on May 13, 2005.

**13. DIVIDENDS**

At the Ordinary Shareholders' Meeting for the year 2006 held on April 26, 2006, the shareholders were unanimously approved the payment of Dividends from net income for the year 2005 under the Board of Investment Promotional Certificate No. 1465/2542 to the shareholders for 315 million shares, at Baht 0.25 per share totaling Baht 78.75 million. Such dividends paid on May 25, 2006.

At shareholders' meeting for the year 2005 held on April 28, 2005 the shareholders had the resolution to approved 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 2.5 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

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**14. 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.

**15. SEGMENT INFORMATION**

The Company and subsidiaries are engaged in business of manufacturing and exporting of frozen fruits and vegetables, transmuted sweet corn, frozen dough and bakery 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 three-month period ended September 30, 2006 are as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	282,743,343	1,172,806	70,841,251	354,757,400
Cost of sales and services	(190,588,094)	(1,389,889)	(58,389,921)	(250,367,904)
Gross profit (loss)	92,155,249	(217,083)	12,451,330	104,389,496
Selling expenses	(26,529,714)	(125,983)	(11,624,987)	(38,280,684)
Income (loss) from operating	65,625,535	(343,066)	826,343	66,108,812
Interest and other income				5,415,060
Central expenses				(31,026,527)
Interest expenses				(1,216,963)
Income tax				(193,867)
Minority interest in net loss				2,517,615
Net income				41,604,130

The details of business segment information for the three-month period ended September 30, 2005 are as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	301,126,939	1,555,820	52,131,658	354,814,417
Cost of sales and services	(189,931,255)	(1,153,125)	(44,631,506)	(235,715,886)
Gross profit	111,195,684	402,695	7,500,152	119,098,531
Selling expenses	(27,081,746)	(257,133)	(13,002,685)	(40,341,564)
Income (loss) from operating	84,113,938	145,562	(5,502,533)	78,756,967
Interest and other income				6,989,410
Central expenses				(30,218,784)
Interest expenses				(888,078)
Income tax				(441,945)
Minority interest in net loss				5,584,617
Net income				59,782,187

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**SEPTEMBER 30, 2006 AND 2005 (REVIEWED) AND DECEMBER 31, 2005 (AUDITED)**

The details of business segment information for the nine-month period ended September 30, 2006 are as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	861,887,567	7,857,213	180,212,602	1,049,957,382
Cost of sales and services	(579,536,534)	(10,274,471)	(155,931,283)	(745,742,288)
Gross profit (loss)	282,351,033	(2,417,258)	24,281,319	304,215,094
Selling expenses	(80,338,207)	(774,157)	(31,868,599)	(112,980,963)
Income (loss) from operating	202,012,826	(3,191,415)	(7,587,280)	191,234,131
Interest and other income				22,968,370
Central expenses				(86,095,005)
Interest expenses				(3,524,465)
Income tax				(239,505)
Minority interest in net loss				13,460,870
Net income				137,804,396
Property , plant equipment by segment				
As at September 30,2006	505,344,984	29,229,207	157,005,919	691,580,110
Property , plant and equipment which cannot be classified segment				43,158,808
Other Asset				673,388,271
Total Asset				1,408,127,189

The details of business segment information for the nine-month period ended September 30, 2005 are as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	844,255,892	7,177,191	139,290,672	990,723,755
Cost of sales and services	(607,857,125)	(9,547,392)	(125,572,044)	(742,976,561)
Gross profit (loss)	236,398,767	(2,370,201)	13,718,628	247,747,194
Selling expenses	(83,622,164)	(730,411)	(36,730,686)	(121,083,261)
Income (loss) from operating	152,776,603	(3,100,612)	(23,012,058)	126,663,933
Interest and other income				14,440,066
Central expenses				(86,628,356)
Interest expenses				(2,892,606)
Income tax				(441,945)
Minority interest in net loss				21,800,177
Net income				72,941,269
Property , plant and equipment by segment				
As at September 30,2006	527,677,679	19,222,004	171,414,632	718,314,315
Property , plant and equipment which cannot be classified by segment				41,275,660
Other Asset				547,249,729
Total assets				1,306,839,704

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
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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 three-month period ended September 30, 2006 are as follows:

**THE COMPANY ONLY**

	IN BAHT		
	Frozen Products	Transmuted Products	Total
Sales and service income	277,525,028	1,093,090	278,618,118
Cost of sales and services	(190,588,094)	(1,389,889)	(191,977,983)
Gross profit (loss)	86,936,934	(296,799)	86,640,135
Selling expenses	(22,916,068)	(59,602)	(22,975,670)
Income (loss) from operating	64,020,866	(356,401)	63,664,465
Share of profit of investments in subsidiary at equity method			449,903
Interest and other income			3,929,968
Central expenses			(24,019,447)
Interest expenses			(1,874)
Share of loss of investments in subsidiary at equity method			(2,418,885)
Net income			<u>41,604,130</u>

The details of business segment information for the three-month period ended September 30, 2005 are as follows:

**THE COMPANY ONLY**

	IN BAHT		
	Frozen Products	Transmuted Products	Total
Sales and service income	290,206,322	1,364,644	291,570,966
Cost of sales and services	(188,727,480)	(1,153,125)	(189,880,605)
Gross profit	101,478,842	211,519	101,690,361
Selling expenses	(23,585,586)	(45,781)	(23,631,367)
Income from operating	77,893,256	165,738	78,058,994
Share of profit of investments in subsidiary at equity method			4,336,263
Interest and other income			5,562,484
Central expenses			(22,803,942)
Interest expenses			(5,998)
Share of loss of investments in subsidiary at equity method			(5,365,614)
Net income			<u>59,782,187</u>

The details of business segment information for the nine-month period ended September 30, 2006 are

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006 AND 2005 (REVIEWED) AND DECEMBER 31, 2005 (AUDITED)**

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as follows:

THE COMPANY ONLY

	IN BAHT		
	Frozen Products	Transmuted Products	Total
Sales and service income	846,991,028	7,464,474	854,455,502
Cost of sales and services	(579,536,534)	(10,274,471)	(589,811,005)
Gross profit (loss)	267,454,494	(2,809,997)	264,644,497
Selling expenses	(70,934,665)	(345,137)	(71,279,802)
Income(loss) from operating	196,519,829	(3,155,134)	193,364,695
Share of profit of investments in subsidiary at equity method			546,938
Interest and other income			20,191,293
Central expenses			(63,363,477)
Interest expenses			(2,061)
Share of loss of investments in subsidiary at equity method			(12,932,992)
Net income			<u>137,804,396</u>
Property , plan and equipment by segment			
As at September 30,2006	505,344,984	29,229,207	534,574,191
Property , plan and equipment which cannot be classified segment			42,115,709
Other Asset			666,193,138
Total Asset			<u>1,242,883,038</u>

The details of business segment information for the nine-month period ended September 30, 2005 are

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES**  
**NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
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as follows:

**THE COMPANY ONLY**

	IN BAHT		
	Frozen Products	Transmuted Products	Total
Sales and service income	822,810,762	6,570,308	829,381,070
Cost of sales and services	(607,857,125)	(9,547,392)	(617,404,517)
Gross profit (loss)	214,953,637	(2,977,084)	211,976,553
Selling expenses	(75,355,214)	(307,138)	(75,662,352)
Income (loss) from operating	139,598,423	(3,284,222)	136,314,201
Share of profit of investments in subsidiary at equity method			8,545,976
Interest and other income			12,263,477
Central expenses			(63,047,120)
Interest expenses			(189,996)
Share of loss of investments in subsidiary at equity method			(20,945,269)
Net income			72,941,269
Property , plant and equipment by segment			
As at September 30,2005	527,677,679	19,222,004	546,899,683
Property , plant and equipment which cannot be classified by segment			39,863,247
Other Asset			575,298,706
Total assets			1,162,061,636

## **16. FINANCIAL INSTRUMENTS**

As at September 30, 2006, the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction (derivatives).

### **16.1 Credit risk**

The risk arises from the counterparties defaulting which results in a financial loss to the Company and subsidiaries. At present the Company and subsidiaries uses prudent credit policies and maintains a diverse customer base. The Company and subsidiary therefore does not anticipate material losses from its debt collection in excess of the allowance for doubtful accounts already set up in the accounts.

### **16.2 Foreign Currency Risk and Risk Management**

The Company and subsidiary exposure to foreign currency risk relates primarily to their business transactions which are denominated in foreign currencies. The Company and subsidiary have policies to hedge such risks by using derivative financial instruments. As at September 30, 2006, the Company and subsidiary have outstanding forward foreign exchange selling contracts and option contracts of a total of U.S. Dollars 3.12 million in exchange of Baht 117.43 million with 3 commercial banks. The contract will be due in 2006.

As at September 30, 2006, liabilities of the Company and subsidiary which are not hedged as follows :

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**NOTES TO INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2006 AND 2005 (REVIEWED) AND DECEMBER 31, 2005 (AUDITED)**

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	<u>Currency</u>	<u>The Company only</u>
Accrued commission	U.S. Dollars	71,326

### **16.3 Interest rate risk**

The interest rate risk is the risk that future movements in market interest rates will affect the results of subsidiary's operations and its cash flows. The subsidiary's exposure to interest rate risk relates primarily to its bank overdrafts and long-term loans. The subsidiary believed that the future fluctuation on market interest rate would not provided significant effect to its operation and cash flow; therefore, no financial derivative was adopted to manage interest rate risk.

### **16.4 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

## **17. COMMITMENTS AND CONTINGENT LIABILITY**

As at September 30, 2006

17.1 The Company and subsidiaries have contingent liable for banks guarantee issued in favor of government agency amounting to approximately Baht 8.3 million which are pledged by subsidiaries' fixed deposit amounting to Baht 3.6 million.(December 31,2005 : Baht 4.7 million)

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

## **18. SUBSEQUENT EVENTS**

According to the resolution of the the Extra - ordinary Shareholder Meeting no. 1 / 2006 held on November 6, 2006. the shareholders has approved to sell the entire investment in C&W Interfoods Co.,Ltd amount to 14,700,000 shares to Wonder Interfoods Co.,Ltd at Baht 0.4762 per share amount to Baht 7,000,000. Payment for this trade shall be made in 2 installments; first installment of Baht 3,500,000 will be paid within 15 days after get approval from extraordinary shareholders' meeting, the remaining amount will be paid within 1 year after first payment. The Company will transfer shares to buyer after completing the 2nd installment.

## **19. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

These interim financial statements have been approved by the board of directors of the Company.