

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTE TO INTERIM FINANCIAL STATEMENTS
JUNE 30, 2005 AND 2004 (REVIEWED) AND DECEMBER 31, 2004 (AUDITED)

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, 2004 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, 2004.

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 six months period ended June 30, 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, 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 six-month periods ended June 30, 2005 are consistent with those used to prepared the financial statements for the year ended December 31, 2004.

3. TRANSACTION WITH PERSON AND RELATED PARTIES

The Company have certain transactions with their subsidiary, 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.

3.1 Relationships and pricing policies

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

	Relationship	
	June 30,2005	December 31,2004
<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.	Shareholding	Shareholding
P.P Foods Supply Co., Ltd.	Cross shareholding	Cross shareholding
Ing shiang Co., Ltd.	Cross shareholding	Cross shareholding
River Kwai International Food Industry Co., Ltd.	-	Partner in subsidiary
<u>Pricing policy</u>		
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.	

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3.2 Balances of transactions with subsidiaries, person and related companies

Balances of transactions with subsidiaries, person and related companies are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30,2005	December 31,2004	June 30,2005	December 31,2004
Accounts receivable				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	11,672,615	4,168,633
Related companies				
Itochu Corporation Co., Ltd.	9,936,644	10,796,896	9,936,644	9,892,790
P.P Foods Supply Co., Ltd.	10,127,815	9,004,349	10,127,815	9,004,348
Ing shiang Co., Ltd.	2,800,049	2,327,404	1,513,540	-
Total	22,864,508	22,128,649	21,577,999	18,897,138
Grand Total	22,864,508	22,128,649	33,250,614	23,065,771
Loans				
C&W Interfoods Co.,Ltd	-	-	30,000,000	-
Accrued Expenses				
Accrued Commission Expenses				
Related Persons (shareholders)	346,441	205,103	346,441	205,103
Related companies				
Itochu Corporation Co., Ltd.	1,124,828	1,647,354	1,124,828	1,630,475
P.P Foods Supply Co., Ltd.	2,583,129	2,127,698	2,583,129	2,127,698
Ing shiang Co., Ltd.	325,006	533,120	325,006	533,120
Total	4,032,963	4,308,172	4,032,963	4,291,293
Grand Total	4,379,404	4,513,275	4,379,404	4,496,396
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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3.3 Revenue among the Company, Subsidiaries and Related Companies

Revenue between the Company, Subsidiaries and related companies for the three-month periods ended June 30, 2005 and 2004 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Sales				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	29,287,093	20,664,736
Related companies				
Itochu Corporation Co., Ltd.	45,313,354	53,841,263	42,607,520	53,841,263
P.P Foods Supply Co., Ltd.	5,625,225	3,769,308	5,622,615	3,769,308
Ing shiang Co., Ltd.	2,728,711	-	1,458,798	-
River Kwai International Co.,Ltd.	-	1,208,571	-	-
Total	53,667,290	58,819,142	49,688,933	57,610,571
Grand Total	53,667,290	58,819,142	78,976,026	78,275,307
Surcharge income from defaulting condition in purchase and sale agreement				
Agrifood Processing Co., Ltd.	-	-	-	8,057,830
Other income				
Agrifood Processing Co., Ltd.	-	-	214,120	405,323
Commission Expenses				
Related Persons (shareholders)	111,388	110,778	111,388	110,778
Related companies				
Itochu Corporation Co., Ltd.	863,873	1,196,781	815,431	1,051,532
P.P Foods Supply Co., Ltd.	872,104	1,358,547	872,104	1,358,547
Ing shiang Co., Ltd.	399,027	350,436	399,027	350,436
Total	2,135,004	2,905,764	2,086,562	2,760,515
Grand Total	2,246,392	3,016,542	2,197,950	2,871,293

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Revenue between the Company, Subsidiaries and related companies for the six-month periods ended June 30, 2005 and 2004 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Sales				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	45,837,224	42,654,098
Related companies				
Itochu Corporation Co., Ltd.	61,736,584	77,206,460	56,016,731	77,206,460
P.P Foods Supply Co., Ltd.	10,131,075	7,692,372	10,127,815	7,692,372
Ing shiang Co., Ltd.	3,692,508	-	1,954,966	-
River Kwai International Co.,Ltd.	-	17,717,074	-	-
Total	75,560,167	102,615,906	68,099,512	84,898,832
Grand Total	75,560,167	102,615,906	113,936,736	127,552,930
Surcharge income from defaulting condition in				
Purchase and sale agreement				
Agrifood Processing Co., Ltd.	-	-	-	8,057,830
Other income				
Agrifood Processing Co., Ltd.	-	-	374,120	1,156,293
Commission Expenses				
Related Persons (shareholders)	127,492	110,778	127,492	110,778
Related companies				
Itochu Corporation Co., Ltd.	1,194,860	1,659,291	1,089,807	1,514,042
P.P Foods Supply Co., Ltd.	2,120,243	1,777,854	2,120,243	1,777,854
Ing shiang Co., Ltd.	562,659	599,666	562,659	599,666
Total	3,877,762	4,036,811	3,772,709	3,891,562
Grand Total	4,005,254	4,147,589	3,900,201	4,002,340

4. ACCOUNTS RECEIVABLE – TRADE

The aging of outstanding balances as at June 30, 2005 and December 31, 2004 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30,2005	December 31,2004	June 30,2005	December 31,2004
Accounts receivable - Related Companies				
Past due not over than 3 months	21,307,033	20,703,119	3,1693,139	21,640,241
Over 3 months	1,557,475	1,425,530	1,557,475	1,425,530
Total accounts receivable - Related Companies	22,864,508	22,128,649	33,250,614	23,065,771
Accounts receivable - Other Companies				
Past due not over than 3 month	80,558,899	72,360,668	48,821,382	50,831,962
Over 3 months	2,364,102	3,685,319	-	-
Total accounts receivable – Other Companies	82,923,001	76,045,987	48,821,382	50,831,962
<u>Less</u> Allowance for doubtful account receivable	(1,958,069)	-	-	-
Net	80,964,932	76,045,987	48,821,382	50,831,962

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5. 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 of 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 sale price was payable in installments up to year 2005 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30,2005	December 31,2004	June 30,2005	December 31,2004
Year 2004	834,190	2,498,084	834,190	2,498,084
Year 2005	1,493,364	1,493,364	1,493,364	1,493,364
Total	2,327,554	3,991,448	2,327,554	3,991,448
<u>Less current portion</u>	<u>(2,327,554)</u>	<u>(3,991,448)</u>	<u>(2,327,554)</u>	<u>(3,991,448)</u>
Net	-	-	-	-

6. INVESTMENTS IN SUBSIDIARIES

AS AT JUNE 30, 2005

	Activities	Paid up Capital (In Baht)	%	In Baht	
				At Cost	At Equity
C & W Interfoods Co., Ltd.	Frozen Dough , Bakery Products	300,000,000	49.0	147,000,000	57,054,990
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution	30,000,000	100.0	23,353,658	26,061,924
Total				<u>170,353,658</u>	<u>83,116,914</u>

AS AT DECEMBER 31, 2004

	Activities	Paid up Capital (In Baht)	%	In Baht	
				At Cost	At Equity
C & W Interfoods Co., Ltd.	Frozen Dough , 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	23,353,658	21,852,211
Total				<u>164,228,658</u>	<u>88,361,856</u>

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7. PROPERTY , PLANT AND EQUIPMENT – NET

	IN BAHT	
	Consolidated	The Company Only
For the six-month period ended June30, 2005		
Opening net book amount	674,219,145	491,886,431
Acquisition	141,092,763	136,229,466
Disposals	(1,285,511)	(971,602)
Depreciation	(43,446,323)	(32,034,496)
Closing net book amount	<u>770,580,074</u>	<u>595,109,799</u>

8. BANK OVERDRAFTS FROM FINANCIAL INSTITUTIONS

As at June30, 2005 and December 31, 2004, the Company and subsidiary have the overdraft line from financial institutions amounted to Baht 80 million, 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 (Note 7).

9. LONG -TERM LOANS – NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June30,2005	December 31,2004	June30,2005	December 31,2004
Long – term loans	31,300,000	37,900,000	-	-
<u>Less</u> Current portion	<u>(13,200,000)</u>	<u>(13,200,000)</u>	<u>-</u>	<u>-</u>
Net	<u>18,100,000</u>	<u>24,700,000</u>	<u>-</u>	<u>-</u>

In the first quarter of 2003, 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 7).

10. SHARE CAPITAL

- According to the resolution of the shareholders' meeting for the year 2005 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 of authorized capital with the Ministry of Commerce on May 13, 2005

11. DIVIDENDS

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

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.

12. 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 until the reserve equal to 10% of authorized share capital. The reserve is not available for dividend distribution.

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13. 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 period. 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 six – month period ends June 30,2004 were recalculated for comparison purpose.

14. SEGMENT INFORMATION

The Company and subsidiaries are engage in exporting vegetables and frozen fruits, transmuted sweet corn distribution, Frozen Dough and Bakery. The Company segment information for the three- month period ended June30, 2005 as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Net sales and service income	349,010,177	2,415,496	47,291,682	398,717,355
Cost of sales	(238,849,932)	(2,467,665)	(42,870,520)	(284,188,117)
Gross profit (loss)	110,160,245	(52,169)	4,421,162	114,529,238
Selling expenses	(34,184,575)	(267,304)	(12,394,845)	(46,846,724)
Income (loss) from operating	75,975,670	(319,473)	(7,973,683)	67,682,514
Interest and other income				2,615,797
Central expenses				(29,604,186)
Interest expenses				(815,141)
Reversal income tax				144,335
Minority interest in net loss				7,360,437
Net income				47,383,756
Property, plant and equipment-net as at June 30, 2005				770,580,074
Other assets				509,605,732
Total assets				1,280,185,806

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The Company segment information for the three- month period ended June30, 2004 as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Net sales and service income	386,382,119	1,571,241	30,610,074	418,563,434
Costs of sales and service	(252,101,121)	(1,874,306)	(30,514,836)	(284,490,263)
Gross profit (loss)	134,280,998	(303,065)	95,238	134,073,171
Selling expenses	(34,471,059)	(828,110)	(28,001,015)	(63,300,184)
Income (loss) from operating	99,809,939	(1,131,175)	(27,905,777)	70,772,987
Other income				5,749,837
Central expenses				(9,820,189)
Interest expenses				(1,183,826)
Income tax				(567,939)
Minority interest in net loss				11,294,828
Net income				76,245,698
Property, plant and equipment-net as at June 30, 2004				600,337,714
Other assets				685,822,802
Total assets				1,286,160,516

The Company segment information for the six - month period ended June30, 2005 as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Net sales and service income	543,128,953	5,621,371	87,159,014	635,909,338
Cost of sales	(417,925,870)	(8,394,267)	(80,940,538)	(507,260,675)
Gross profit (loss)	125,203,083	(2,772,896)	6,218,476	128,648,663
Selling expenses	(56,540,418)	(473,278)	(23,728,001)	(80,741,697)
Income (loss) from operating	68,662,665	(3,246,174)	(17,509,525)	47,906,966
Other income				8,034,990
Central expenses				(56,993,906)
Interest expenses				(2,004,528)
Income tax				-
Minority interest in net loss				16,215,560
Net income				13,159,082
Property, plant and equipment-net as at June 30, 2005				770,580,074
Other assets				509,605,732
Total assets				1,280,185,806

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The Company segment information for the six - month period ended June30, 2004 as follows:

CONSOLIDATED

IN BAHT

	Frozen Products	Transmuted Products	Bakery	Total
Net sales and service income	574,576,644	18,079,744	57,325,901	649,982,289
Costs of sales and service	(420,409,989)	(23,572,907)	(58,096,097)	(502,078,993)
Gross profit (loss)	154,166,655	(5,493,163)	(770,196)	147,903,296
Selling expenses	(51,048,457)	(1,718,609)	(36,007,958)	(88,775,024)
Income (loss) from operating	103,118,198	(7,211,772)	(36,778,154)	59,128,272
Other income				8,018,967
Central expenses				(33,861,569)
Interest expenses				(2,239,079)
Income tax				(924,130)
Minority interest in net loss				20,340,559
Net income				50,463,020
Property, plant and equipment-net as at June 30, 2004				600,337,714
Other assets				685,822,802
Total assets				1,286,160,516

15. FINANCIAL INSTRUMENTS

As at June30, 2005, the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction (derivatives).

15.1 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.

15.2 Credit risk

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

15.3 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.

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As at June30, 2005, assets and liabilities of the Company which are not hedged as follows :

	<u>Currencies</u>	<u>The Company only</u>
Receivables from sales of investment	U.S. Dollars	102,555
Accrued commission	U.S. Dollars	74,467

15.4 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 8 and 9 to the interim financial statements)

15.5 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

16. COMMITMENTS AND CONTINGENT LIABILITY

As at June 30, 2005

16.1 The Company and subsidiary have contingent liable for banks guarantee issued in favor of government agency amounting to approximately Baht 12.5 million which are pledged by subsidiary's fixed deposit amounting to Baht 5.0 million.

16.2 The Company has commitment to pay the uncalled investments in a subsidiary amounting to approximately Baht 90 million.

16.3 The Company and subsidiaries had forward contracts for exchange rate with local financial institution to protect against the risks amounting approximately U.S. Dollars 6.3 million equivalent to Thai Baht approximately Baht 262.5 million. Such contracts will effective within 2005.