

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTE TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2004 AND 2003 (REVIEWED) AND DECEMBER 31, 2003 (AUDITED)

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

The accompanying interim financial statements and consolidated interim financial statements have been prepared in accordance with the Accounting Standard No. 41 "Interim Financial Reporting" and Regulations of Stock Exchange of Thailand (SET) relating to the accounting.

The accompanying interim financial statements and consolidated interim financial statements are prepared as additional information to financial statements for the year ended December 31, 2003 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, 2003.

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>2004</u>	<u>2003</u>	<u>BUSINESS</u>
C&W INTERFOODS CO.,LTD.	49.00	49.00	Frozen Dough and Bakery Products
AGRIFOOD PROCESSING CO., LTD.	51.00	51.00	Transmuted Sweet Corn Distribution

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.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim financial statements and consolidated interim financial statements have been prepared using the significant accounting policies under the Accounting Standards issued by the Institute of Certified Accountants and Auditors of Thailand. Significant accounting policies and the methods of computation used to prepare the interim financial statements and the consolidated interim financial statements for the period ended March 31, 2004 are consistent with those used to prepare the financial statements for the year ended December 31, 2003.

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	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004 “UNAUDITED” “REVIEWED”	December 31, 2003 “AUDITED”	March 31, 2004 “UNAUDITED” “REVIEWED”	December 31, 2003 “AUDITED”
Related companies				
Itochu Corporation Co., Ltd.	2,387,313	5,405,574	2,387,313	5,405,574
P.P Foods Supply Co., Ltd.	4,857,863	5,746,508	4,857,863	5,746,508
River Kwai International Co.,Ltd.	11,592,572	9,041,460	-	-
Total	18,837,748	20,193,542	7,245,176	11,152,082
Grand Total	18,837,748	20,193,542	8,283,452	18,594,923
Other current assets				
Agrifood Processing Co., Ltd.	-	-	146,390	296,810
Short – term loan from related person				
Mr. Suwat Phongphasura	-	3,000,000	-	-
Share subscription payable				
C&W Interfoods Co.,Ltd.	-	-	-	9,800,000
Accrued expenses				
Agrifood Processing Co., Ltd	-	-	30,000	30,000
Other current liabilities				
Agrifood Processing Co., Ltd	-	-	6,184,915	9,770,439

3.3 Revenue among the Company , Subsidiary and Related Companies

Revenue between the Company, Subsidiary and related companies for the three-month periods ended March 31, 2004 and 2003 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2004	2003	2004	2003
Sales				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	21,989,362	-
Related companies				
Itochu Corporation Co., Ltd.	23,365,197	39,808,681	23,365,197	39,808,681
P.P Foods Supply Co., Ltd.	3,923,064	2,833,276	3,923,064	2,833,276
River Kwai International Co.,Ltd.	16,508,503	-	-	-
Total	43,796,764	42,641,957	27,288,261	42,641,957
Grand Total	43,796,764	42,641,957	49,277,623	42,641,957
Other income				
Agrifood Processing Co., Ltd.	-	-	750,970	-

4. ACCOUNTS RECEIVABLE – TRADE

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The aging of outstanding balances as at March 31, 2004 and December 31, 2003 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004	December 31, 2003	March 31, 2004	December 31, 2003
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
Accounts receivable - Related Companies				
Past due not over than 3 months	17,902,948	18,543,594	7,348,652	16,944,975
Over 3 months	934,800	1,649,948	934,800	1,649,948
Total accounts receivable - Related Companies	18,837,748	20,193,542	8,283,452	18,594,923
Accounts receivable - Other Companies				
Past due not over than 3 month	64,173,797	47,204,701	42,266,474	31,137,031
Over 3 months	-	271,782	-	271,782
Total accounts receivable – Other Companies	64,173,797	47,476,483	42,266,474	31,408,813

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	
	March 31, 2004	December 31, 2003	March 31, 2004	December 31, 2003
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
Year 2003	1,629,585	1,636,884	1,629,585	1,636,884
Year 2004	3,096,612	3,110,484	3,096,612	3,110,484
Year 2005	1,506,710	1,513,459	1,506,710	1,513,459
Total	6,232,907	6,260,827	6,232,907	6,260,827
Less current portion	(4,726,197)	(4,747,368)	(4,726,197)	(4,747,368)
Net	1,506,710	1,513,459	1,506,710	1,513,459

6. INVESTMENTS IN SUBSIDIARIES

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AS AT MARCH 31, 2004

	Activities	Paid up Capital (In Baht)	% Holdings	In Baht		Dividends
				At Cost	At Equity	
C & W Interfoods Co., Ltd.	Frozen Dough , Bakery Products	220,000,000	49.0	107,800,000	57,220,042	-
	Transmuted Sweet corn distribution				11,828,953	
Agrifood Processing Co.,Ltd.		30,000,000	51.0	15,300,000		-
Total				123,100,000	69,048,995	

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 , Bakery Products	220,000,000	49.0	107,800,000	64,643,871	-
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution	30,000,000	51.0	15,300,000	13,201,671	-
Total				123,100,000	77,845,542	

7. PROPERTY , PLANT AND EQUIPMENT – NET

	IN BAHT	
	Consolidated	The Company Only
For the three-month period ended March 31, 2004		
Opening net book amount	600,191,821	420,834,361
Acquisition	9,735,540	6,797,200
Disposals	(137,538)	(17)
Depreciation	(17,440,198)	(12,496,721)
Closing net book amount	592,349,625	415,134,823

8. BANK OVERDRAFTS FROM FINANCIAL INSTITUTIONS

As at March 31, 2004 and December 31, 2003, 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.

9. LONG -TERM LOANS – NET

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	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2004	December 31, 2003	March 31, 2004	December 31, 2003
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
Long – term loans	47,800,000	50,000,000	-	-
<u>Less</u> Current portion	<u>(13,200,000)</u>	<u>(12,100,000)</u>	<u>-</u>	<u>-</u>
Net	<u>34,600,000</u>	<u>37,900,000</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.

10. 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 March 31, 2004 as follows:

CONSOLIDATED

	IN BAHT			
	Frozen	Transmuted		
	Products	Products	Bakery	Total
Net sales	188,194,525	16,508,503	26,715,827	231,418,855
Cost of sales	(168,308,868)	(21,698,601)	(27,581,261)	(217,588,730)
Gross profit (loss)	19,885,657	(5,190,098)	(865,434)	13,830,125
Selling expenses	(16,577,398)	(890,499)	(8,006,943)	(25,474,840)
Income (loss) from operating	<u>3,308,259</u>	<u>(6,080,597)</u>	<u>(8,872,377)</u>	<u>(11,644,715)</u>
Interest and other income				4,423,356
Central expenses				(26,195,606)
Interest expenses				(1,055,253)
Income tax				(356,191)
Minority interest in net loss				9,045,731
Net loss				<u>(25,782,678)</u>
Property, plant and equipment-net as at March 31, 2004				592,349,625
Other assets				665,000,651
Total assets				<u>1,257,350,276</u>

The Company segment information for the three - month period ended March 31, 2003 as follows:

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CONSOLIDATED

	IN BAHT		
	Frozen Products	Bakery	Total
Net sales	186,000,507	15,096,243	201,096,750
Cost of sales	(147,759,411)	(16,299,059)	(164,058,470)
Gross profit (loss)	38,241,096	(1,202,816)	37,038,280
Selling expenses	(17,750,138)	(4,281,068)	(22,031,206)
Income (loss) from operating	20,490,958	(5,483,884)	15,007,074
Interest and other income			2,766,754
Central expenses			(24,774,725)
Interest expenses			(877,036)
Income tax			(236,670)
Minority interest in net loss			5,618,227
Net loss			(2,496,376)
Property , plant and equipment-net as at March 31, 2003			593,465,520
Other assets			620,245,312
Total assets			1,213,710,832

11. FINANCIAL INSTRUMENTS

As at March 31, 2004, the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction (derivatives).

11.1 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.

11.2 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.

11.3 Foreign Currency Risk and Risk Management

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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 March 31, 2004, 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	U.S. Dollars	18,036

11.4 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)

11.5 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

12. COMMITMENTS AND CONTINGENT LIABILITY

As at March 31, 2004

12.1 The Company and subsidiary have contingent liable for banks guarantee issued in favor of government agency amounting to approximately Baht 6.8 million which are pledged by subsidiary's fixed deposit amounting to Baht 2.4 million.

12.2 The Company has commitment to pay the uncalled investments in a subsidiary amounting to approximately Baht 45.9 million.

12.3 The Company had forward exchange contracts to protect the effect with local financial institutions amounting approximately U.S. Dollars 5.2 million equivalent to Thai Baht approximately Baht 203.3 million. Such contracts will effective within 2004.

13. SUBSEQUENT EVENTS

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 million shares, at Baht 3 per share totalling Baht 63 million. Such dividends will pay on May 28, 2004.

14. RECLASSIFICATION OF ACCOUNTS

Certain accounts in 2003 financial statements have been reclassified to conform with the 2004 interim financial statement presentation with no effect on previously reported net earnings or shareholder's equity.