

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

**1. BASIS OF INTERIM FINANCIAL STATEMENTS AND CONSOLIDATED
INTERIM FINANCIAL STATEMENTS 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 nine months period ended September 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.

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

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, 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, Subsidiaries, Person and Related companies are as follows:

	Relationship	
	September 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.	Shareholder	Shareholder
P.P Foods Supply Co., Ltd.	Cross shareholding	Cross shareholding
Ing shiang Co., Ltd.	Cross shareholding	Cross shareholding
Wonder Interfoods Co.,Ltd	Shareholding in subsidiary	-
River Kwai International Food Industry Co., Ltd.	-	-

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

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

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

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	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
Accounts receivable				
Subsidiary				
Agrifood Processing Co., Ltd.	-	-	6,669,334	4,168,633
Related companies				
Itochu Corporation Co., Ltd.	4,616,833	10,796,896	2,662,419	9,892,790
P.P Foods Supply Co., Ltd.	12,191,055	9,004,349	12,191,055	9,004,348
Ing shiang Co., Ltd.	2,171,163	2,327,404	422,477	-
Total	18,979,051	22,128,649	15,275,951	18,897,138
Grand Total	18,979,051	22,128,649	21,945,285	23,065,771
Interest receivable				
C&W Interfoods Co.,Ltd	-	-	158,538	-
Long - term loans to				
C&W Interfoods Co.,Ltd	-	-	24,500,000	-
Long - term loans from				
Wonder Interfoods Co.,Ltd	8,500,000	-	-	-
Accrued Commission Expenses				
Related Persons	-	205,103	637,285	205,103
Related companies				
Itochu Corporation Co., Ltd.	731,966	1,647,354	542,695	1,630,475
P.P Foods Supply Co., Ltd.	2,504,886	2,127,698	2,504,886	2,127,698
Ing shiang Co., Ltd.	612,051	533,120	612,051	533,120
Total	3,848,903	4,308,172	3,659,632	4,291,293
Grand Total	3,848,903	4,513,275	4,296,917	4,496,396
Deposit				
Agrifood Processing Co., Ltd.	-	-	30,000	30,000

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

3.3 Revenue among the Company, Subsidiaries and Related Companies

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

		IN BAHT			
		CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
Sales					
Subsidiary					
Agrifood Processing Co., Ltd.	-	-	29,602,448	20,060,311	
Related companies					
Itochu Corporation Co., Ltd.	37,541,543	50,074,276	28,847,937	50,074,276	
P.P Foods Supply Co., Ltd.	5,918,465	3,954,087	5,918,465	3,954,087	
Ing shiang Co., Ltd.	1,769,978	-	-	-	
Total	45,229,986	54,028,363	34,766,402	54,028,363	
Grand Total	45,229,986	54,028,363	64,368,850	74,088,674	
Other income					
Agrifood Processing Co., Ltd.	-	-	150,703	162,441	
Interest revenue					
C&W Interfoods Co.,Ltd	-	-	241,346	-	
Commission Expenses					
Related Persons					
	295,622	34,873	295,622	34,873	
Related companies					
Itochu Corporation Co., Ltd.	738,281	1,050,624	549,010	981,285	
P.P Foods Supply Co., Ltd.	638,067	1,172,861	638,067	1,172,861	
Ing shiang Co., Ltd.	292,115	275,130	292,115	275,130	
Total	1,668,463	2,498,615	1,479,192	2,429,276	
Grand Total	1,964,085	2,533,488	1,774,814	2,464,149	

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

		IN BAHT			
		CONSOLIDATED		THE COMPANY ONLY	
		2005	2004	2005	2004
Sales					
Subsidiary					
Agrifood Processing Co., Ltd.	-	-	75,439,672	62,714,409	
Related companies					
Itochu Corporation Co., Ltd.	99,278,127	127,280,736	84,864,668	127,280,736	
P.P Foods Supply Co., Ltd.	16,049,540	11,646,459	16,046,280	11,646,459	
Ing shiang Co., Ltd.	5,462,486	-	1,954,966	-	
River Kwai International Co.,Ltd.	-	17,717,074	-	-	
Total	120,790,153	156,644,269	102,865,914	138,927,195	
Grand Total	120,790,153	156,644,269	178,305,586	201,641,604	

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

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2005	2004	2005	2004
Surcharge income from defaulting condition in				
Purchase and sale agreement				
Agrifood Processing Co., Ltd.	-	-	-	8,057,830
Other income				
Agrifood Processing Co., Ltd.	-	-	524,823	1,318,734
Interest revenue				
C&W Interfoods Co.,Ltd.	-	-	404,736	-
Commission Expenses				
Related Persons	423,114	145,652	423,114	145,652
Related companies				
Itochu Corporation Co., Ltd.	1,933,141	2,709,915	1,638,817	2,495,327
P.P Foods Supply Co., Ltd.	2,758,310	2,950,715	2,758,310	2,950,715
Ing shiang Co., Ltd.	854,774	874,796	854,774	874,796
Total	5,546,225	6,535,426	5,251,901	6,320,838
Grand Total	5,969,339	6,681,078	5,675,015	6,466,490

4. ACCOUNTS RECEIVABLE – TRADE

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

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
Accounts receivable - Related Companies				
Not yet due receivables	8,643,566	14,307,365	12,886,618	17,571,890
Over due with 1 month to 3 months	7,786,090	6,395,754	6,509,272	4,068,351
Over due with 4 months to 6 months	2,549,395	1,425,530	2,549,395	1,425,530
Total accounts receivable - Related Companies	18,979,051	22,128,649	21,945,285	23,065,771
Trade accounts receivable - Other Companies				
Not yet due receivables	59,135,216	63,422,989	37,447,578	50,831,962
Over due with 1 month to 3 months	19,319,148	8,937,680	13,143,510	-
Over due with 4 months to 6 months	3,322,436	218,976	3,222,699	-
Over due with 7 months to 12 months	155,491	810,366	-	-
Over due 12 months	1,077,908	2,655,976	-	-
Total accounts receivable - Other Companies	83,010,199	76,045,987	53,813,787	50,831,962
Less :Allowance for doubtful accounts	(1,077,908)	-	-	-
Net	81,932,291	76,045,987	53,813,787	50,831,962

5. RECEIVABLES FROM SALES OF INVESTMENTS - NET

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

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	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
Year 2004	816,657	2,498,084	816,657	2,498,084
Year 2005	1,493,364	1,493,364	1,493,364	1,493,364
Total	2,310,021	3,991,448	2,310,021	3,991,448
Less current portion	(2,310,021)	(3,991,448)	(2,310,021)	(3,991,448)
Net	-	-	-	-

6. INVESTMENTS IN SUBSIDIARIES

AS AT September 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	51,689,376
Agrifood Processing Co.,Ltd.	Transmuted Sweet corn distribution	30,000,000	100.0	23,353,658	30,398,187
Total				170,353,658	82,087,563

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				164,228,658	88,361,856

7. LONG - TERM LOANS TO RELATED COMPANY

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

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

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

8. PROPERTY , PLANT AND EQUIPMENT – NET

	IN BAHT	
	Consolidated	The Company Only
For the nine-month period ended September 30, 2005		
Opening net book amount	674,219,145	491,886,431
Acquisition	155,963,188	147,840,000
Disposals	(1,332,131)	(1,018,222)
Depreciation	(69,260,227)	(51,945,279)
Closing net book amount	<u>759,589,975</u>	<u>586,762,930</u>

9. INTANGIBLE ASSETS – NET

	IN BAHT	
	Consolidated	The Company Only
For the nine-month period ended September 30, 2005		
Opening net book value	-	-
Additions during the period	315,830	-
Amortisation during the period	(49,906)	-
Ending net book value	<u>265,924</u>	<u>-</u>
As at September 30, 2005		
Cost	315,830	-
<u>Less</u> Accumulative amortisation	(49,906)	-
Net book value	<u>265,924</u>	<u>-</u>

10. OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

As at September 30, 2005 and December 31, 2004, the Company and subsidiary have the overdraft line and loans from financial institutions amounted to Baht 415 million and Baht 300 million respectively, 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 8).

11. LONG -TERM LOANS FROM FINANCIAL INSTITUTIONS – NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	September 30, 2005	December 31, 2004	September 30, 2005	December 31, 2004
Long – term loans	28,000,000	37,900,000	-	-
<u>Less</u> Current portion	(13,200,000)	(13,200,000)	-	-
Net	<u>14,800,000</u>	<u>24,700,000</u>	<u>-</u>	<u>-</u>

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

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 8).

12. LONG -TERM LOANS FROM RELATED COMPANY

	IN BAHT	
	Consolidated	The Company Only
Beginning balance	-	-
New loan	8,500,000	-
Ending balance	8,500,000	-

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

13. 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

14. 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

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

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.

15. 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.

16. 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 nine – month period ends September 30,2004 were recalculated for comparison purpose.

17. 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 September 30, 2005 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 service	(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
Property, plant and equipment-net as at September 30, 2005				759,589,975
Other assets				547,249,729
Total assets				1,306,839,704

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

The Company segment information for the three- month period ended September 30, 2004 as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	253,417,188	5,824,989	33,772,606	293,014,783
Costs of sales and service	(174,180,334)	(5,947,375)	(33,150,243)	(213,277,952)
Gross profit (loss)	79,236,854	(122,386)	622,363	79,736,831
Selling expenses	(24,927,885)	(218,620)	(9,184,718)	(34,331,223)
Income (loss) from operating	54,308,969	(341,006)	(8,562,355)	45,405,608
Other income				2,275,646
Central expenses				(28,686,284)
Interest expenses				(996,829)
Reversal income tax				924,130
Minority interest in net loss				7,876,606
Net income				26,798,877
Property, plant and equipment-net as at September 30, 2004				615,375,069
Other assets				663,099,177
Total assets				1,278,474,246

The Company segment information for the nine - month period ended September 30, 2005 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 service	(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
Other income				14,440,066
Central expenses				(86,628,356)
Interest expenses				(2,892,606)
Reverse Income tax				(441,945)
Minority interest in net loss				21,800,177

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

Net income	72,941,269
Property, plant and equipment-net as at September 30, 2005	759,589,975
Other assets	547,249,729
Total assets	1,306,839,704

The Company segment information for the nine - month period ended September 30, 2004 as follows:

CONSOLIDATED

	IN BAHT			
	Frozen Products	Transmuted Products	Bakery	Total
Sales and service income	827,993,832	23,904,733	91,098,507	942,997,072
Costs of sales and service	(594,590,323)	(29,520,282)	(91,246,340)	(715,356,945)
Gross profit (loss)	233,403,509	(5,615,549)	(147,833)	227,640,127
Selling expenses	(76,930,383)	(983,188)	(29,497,618)	(107,411,189)
Income (loss) from operating	156,473,126	(6,598,737)	(29,645,451)	120,228,938
Other income				10,294,613
Central expenses				(78,242,911)
Interest expenses				(3,235,908)
Minority interest in net loss				28,217,165
Net income				77,261,897
Property, plant and equipment-net as at September 30, 2004				615,375,069
Other assets				669,099,177
Total assets				1,284,474,246

18. FINANCIAL INSTRUMENTS

As at September 30, 2005, the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction (derivatives).

18.1 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.

18.2 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.

18.3 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 September 30, 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	56,592
Accrued commission	U.S. Dollars	43,593

18.4 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 10 and 11 to the interim financial statements)

18.5 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

19. COMMITMENTS AND CONTINGENT LIABILITY

As at September 30, 2005

- 19.1** The Company and subsidiary have contingent liable for banks guarantee issued in favor of government agency amounting to approximately Baht 12.1 million which are pledged by subsidiary's fixed deposit amounting to Baht 3.5 million.

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

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

19.3 The Company and subsidiaries had forward contracts for exchange rate with local financial institution to protect against the risks amounting approximately U.S. Dollars 3.1 million equivalent to Thai Baht approximately Baht 129.8 million. Such contracts will effective within 2005.