

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTE TO INTERIM FINANCIAL STATEMENTS
MARCH 31, 2002 AND 2001 (REVIEWED) AND DECEMBER 31, 2001 (AUDITED)

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

The accompanying interim financial statements and consolidated interim financial statements include the effects of the economic crisis to the extent they are known and can be estimated. The operations of the Company have been affected and may continue to be affected for the foreseeable future by the country's crisis. The accompanying interim financial statements and consolidated interim financial statements do not include any adjustments that might result from these uncertainties. Related effects will be reported in the financial statements as they become known and estimable.

The accompanying 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 interim financial statements are prepared as additional information to financial statements for the year ended December 31, 2001 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, 2001.

The consolidated interim financial statements include the account transactions of Chiangmai Frozen Foods Public Company Limited and Subsidiary (C&W Interfoods Co., Ltd.) holding the share capital of 49 % that its two directors are the authorized persons to make decision for the subsidiary's operation.

During the period there is no the related accounting transactions between the Company and subsidiary Company.

The consolidated financial statements for the year 2001 have been prepared in the the third quarter of the year 2001.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies and the methods of computation used to prepare the consolidated interim financial statements and the Company's interim financial statements are consistent with those used to prepare the financial statements for the year ended December 31, 2001.

3. TRANSACTIONS WITH RELATED COMPANIES

Companies are considered to be related if one company has the ability to control or exercise significant influence over the other company in making financial and operating decisions.

A summary of significant transactions with its subsidiary and related companies in the normal course of business and at market prices. The transactions were carried out as follow:

IN BAHT

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	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”	March 31, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”
Accounts receivable				
Itochu Corporation	14,162,766	4,114,093	14,162,766	4,114,093
P.P Foods Supply Co., Ltd.	1,848,608	1,596,800	1,848,608	1,596,800
Ing shiang Co., Ltd.	996,811	506,961	996,811	506,961
Total	<u>17,008,185</u>	<u>6,217,854</u>	<u>17,008,185</u>	<u>6,217,854</u>

	IN BAHT		
	CONSOLIDATED	THE COMPANY ONLY	
	March 31, 2002 “UNAUDITED” “REVIEWED”	March 31, 2002 “UNAUDITED” “REVIEWED”	March 31, 2001 “UNAUDITED” “REVIEWED”
Transactions during the period			
Sales			
Itochu Corporation	29,351,081	29,351,081	26,879,560
P.P Foods Supply Co., Ltd.	2,720,408	2,720,408	3,004,180

4. ACCOUNTS RECEIVABLE - TRADE

The aging of outstanding balances as at March 31, 2002 and December 31, 2001 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”	March 31, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”
Accounts receivable-Related Company				
Past due 1-3 month	17,008,185	6,217,854	17,008,185	6,217,854
Accounts receivable-Other Company				
Past due 1-3 month	<u>23,277,439</u>	<u>50,594,353</u>	<u>23,277,439</u>	<u>50,594,353</u>
Total Accounts receivable – Trade	<u>40,285,624</u>	<u>56,812,207</u>	<u>40,285,624</u>	<u>56,812,207</u>

5. RECEIVABLES FROM SALES OF INVESTMENTS IN SUBSIDIARIES

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, reflecting gain on sales of investments of Baht 3.0 million derived from the sale price of Baht 15.3 million and are taken into account in determining operating profit.

The sale price is payable in five amount installments as follows:-

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	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”	March 31, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”
2002	3,662,579	3,725,453	3,662,579	3,725,453
2003	3,540,153	3,600,926	3,540,153	3,600,926
2004	3,417,727	3,476,398	3,417,727	3,476,398
2005	1,662,953	1,691,501	1,662,953	1,691,501
Total	12,283,412	12,494,278	12,283,412	12,494,278
Less current portion	(3,662,579)	(3,725,453)	(3,662,579)	(3,725,453)
Net	8,620,833	8,768,825	8,620,833	8,768,825

6. INVESTMENTS IN A SUBSIDIARY

AS AT MARCH 31, 2002

Name	Activities	Paid up Capital	% Holdings	Investments		Dividends
				Cost	Equity	
C & W Interfoods Co., Ltd.	Frozen Dough , Bakery Products	100,000,000	49.0	49,000,000	47,608,824	-

AS AT DECEMBER 31, 2001

Name	Activities	Paid up Capital	% Holdings	Investments		Dividends
				Cost	Equity	
C & W Interfoods Co., Ltd.	Frozen Dough , Bakery Products	70,500,000	49.0	34,500,000	33,924,855	-

In 2001 the company invested in a subsidiary which joint between Chaingmai Frozen Foods Public Co., Ltd. and Wonder Interfoods Co., Ltd. in percentage of holding 49:51, the subsidiary was incorporated as a limited company under the Thai Civil and Commercial Code on August 17,2001. As at December 31,2001 the company was constructing in plant and has not yet started commercial operation.

7. PROPERTY PLANT AND EQUIPMENT -NET

	IN BAHT	
	Consolidated	The Company Only
	Property,plant and equipment	Property,plant and Equipment
For the three-month period ended March 31, 2002		

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Net book value, Beginning of periods	492,834,319	426,977,368
Acquisition	42,493,218	5,851,172
Depreciation	(14,425,848)	(13,476,299)
Net book value, End of periods	<u>520,901,689</u>	<u>419,352,241</u>

8. MINORITY INTEREST

	IN BAHT	
	CONSOLIDATED	
	March 31, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”
Beginning balance	9,401,380	-
Acquisition	41,000,000	36,000,000
<u>Less</u> Share subscription receivable	-	(26,000,000)
Share of net loss of subsidiary	(849,339)	(598,620)
Ending balance	<u>49,552,041</u>	<u>9,401,380</u>

9. DIVIDENDS

The Ordinary General Meeting of Shareholders held on April 30, 2002 authorized the Dividends which appropriated from net income under the Board of Investment Promotional Certificate No.1397/2537, pay to the shareholders on May 30, 2002 21 million shares Baht 4 each total amount of Baht 84 million.

The Ordinary General Meeting of Shareholders held on April 30, 2001 authorized the Dividends which appropriated from net income under the Board of Investment Promotional Certificate No.1397/2537, pay to the shareholders on May 30, 2001 21 million shares Baht 4 each total amount of Baht 84 million.

10. OPERATING PROFIT

The following expenditures, classified by nature, have been charged in arriving at operating profit :

	IN BAHT		
	CONSOLIDATED	THE COMPANY ONLY	
	March 31, 2002 “UNAUDITED” “REVIEWED”	March 31, 2002 “UNAUDITED” “REVIEWED”	March 31, 2001 “UNAUDITED” “REVIEWED”
Depreciation on equipment	14,425,848	13,476,299	12,368,757
Staff costs	34,161,323	33,706,975	31,339,235
Number of employees (persons)	1,108	1,091	1,104

11. PROMOTIONAL PRIVILEGES

By virtue of the provisions of Industrial Investment Promotion Act.B.E.2520, the company was granted certain privileges.

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- 11.1 Under the Board of Investment Promotional Certificate No.1727/2531, exception from payment of income tax for seven years starting from the commencement date of the promoted business (February 1,1990 - February 1,1997)
- 11.2 Under the Board of Investment Promotional Certificate No.1063/2536, exception from payment of income tax for six years starting from the commencement date of the promoted business (November 1,1994 - November 1,2000)
- 11.3 Under the Board of Investment Promotional Certificate No.1397/2537 , exception from payment of income tax for eight years starting from the commencement date of the promoted business. (March 3, 1996 - March 3, 2004)
- 11.4 Under the Board of Investment Promotional Certificate No.1465/2542 ,exception from payment of income tax for eight years starting from the commencement date of the promoted business. (November 1,2001- November 1,2009)

As a promoted industry, the company must comply with certain conditions and restrictions provided for in the promotional certificate.

12. BUSINESS SEGMENT INFORMATION

The Company segment information for the three - month period ended March 31, 2002 by different Products are as follows:

IN BAHT						
	Exported Sales	Local Sales	Total	Subsidiary Company	Amorti Zation	Net
Net sales	157,789,769	3,985,818	161,775,587	-	-	161,775,587
Cost of sales	120,593,513	3,046,229	123,639,742	-	-	123,639,742
Gross Profit	37,196,256	939,589	38,135,845	-	-	38,135,845
Selling expenses	13,632,751	344,367	13,977,118	-	-	13,977,118
Operating profits	23,563,505	595,222	24,158,727	-	-	24,158,727
Other income			3,095,808	-	-	3,095,808
General corporate expenses			(20,353,960)	(1,665,370)	816,031	(21,203,299)
Interest expenses			(2,266)	-	-	(2,266)
Income tax			(442,244)	-	-	(442,244)
Minority Interest			-	-	849,339	849,339
Net income(loss)			6,456,065	(1,665,370)	1,665,370	6,456,065
Net property and Equipment as at March 31,2002			419,352,241	101,549,448	-	520,901,689
Other assets			652,055,940	13,100,867	(47,608,824)	617,547,983
Total assets			1,071,408,181	114,650,315	(47,608,824)	1,138,449,672

The Company segment information for the three - month period ended March 31,2001 by different products are as follows:

In Baht		
Exported Sales	Local Sales	Total

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Net sales	177,613,172	5,667,460	183,280,632
Cost of sales	125,450,161	4,002,990	129,453,151
Gross Profit	52,163,011	1,664,470	53,827,481
Selling expenses	17,118,052	546,220	17,664,272

	In Baht		
	Exported Sales	Local Sales	Total
Operating profits	35,044,959	1,118,250	36,163,209
Other income			4,837,532
General corporate expenses			(19,206,927)
Interest expenses			(229)
Income tax			(140,892)
Net income			21,652,693
Net property and equipment as at March 31, 2001			412,645,623
Other assets			570,311,578
Total assets			982,957,201

13. PRESENTATION OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheets include cash on hand and in bank, short - term investment in fixed deposits, trade and other accounts receivable and payable. The recognition and measurement of these items are disclosed and presented in fair value.

As at March 31, 2002 and December 31, 2001, the carrying values of the Company's financial instruments are not significantly different from their fair value.

13.1 Currency risk

The company's exposure to foreign currency risk almost relates to selling in us dollars. The company primarily utilizes forward exchange contracts to hedge exchange rate risk occasionally if its necessary.

13.2 Credit risk

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

14. CONTINGENT LIABILITIES AND COMMITMENT

As at March 31, 2002 and December 31, 2001

- (a) The Company and a subsidiary has contingent liabilities from issuing letters of guarantee issued by the banks amounting to approximately Baht 10.3 million. (Baht 15.3 million in 2001)
- (b) The Company has the unused letter of credit in the amount of approximately Baht 0.7 million. (Baht 5.1 million in 2001)

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- (c) Capital expenditure in respect of the construction of plant contracted for at the balance sheet date but not recognized in the financial statements amounting to Baht 34.3 million. (Baht 76.8 million in 2001)