

**CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY**  
**NOTE TO INTERIM FINANCIAL STATEMENTS**  
**MARCH 31, 2003 AND 2002 (REVIEWED) AND DECEMBER 31, 2002 (AUDITED)**

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

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, 2002 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, 2002.

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

Significant intercompany transactions with subsidiary in the consolidated interim financial statements have been eliminated.

**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 three-month periods ended March 31, 2003 and 2002 are consistent with those used to prepare the financial statements for the year ended December 31, 2002.

**3. TRANSACTIONS WITH RELATED COMPANIES**

The Company have certain transactions with their related companies. A portion of assets, liabilities, revenue and expenses arose from transactions with said related companies. These related companies are related through common shareholding and/or directorships. The effects of these transactions are reflected in the accompanying interim financial statements on the bases mutually considered by the companies concerned and other entities, normal course of business.

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**3.1 Relationships and pricing policies**

The relationship and pricing policies among the Company and related companies are as follows:

	<b>Relation Ships</b>		<b>Pricing policy</b>
<b><u>Related companies :</u></b>			
Itochu Corporation Co., Ltd.	Shareholders	Sales	At normal business prices, as same as other entities.
P.P Foods Supply Co., Ltd.	Shareholders	Sales	At normal business prices, as same as other entities.
Ing shiang Co., Ltd.	Shareholders	Sales	At normal business prices, as same as other entities.

**3.2 Balances of transactions with Related Companies**

Balances of transactions with related companies are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”	March 31, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”
Accounts receivable				
Itochu Corporation Co., Ltd.	16,108,526	2,239,593	16,108,526	2,239,593
P.P Foods Supply Co., Ltd.	2,099,376	2,599,115	2,099,376	2,599,115
Ing shiang Co., Ltd.	-	494,492	-	494,492
Total	<u>18,207,902</u>	<u>5,333,200</u>	<u>18,207,902</u>	<u>5,333,200</u>

**3.3 Revenue**

Revenue between the Company and related companies for the three-month periods ended March 31, 2003 and 2002 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Sales				
Itochu Corporation Co., Ltd.	39,808,681	29,351,081	39,808,681	29,351,081
P.P Foods Supply Co., Ltd.	2,833,276	2,720,408	2,833,276	2,720,408
Total	<u>42,641,957</u>	<u>32,071,489</u>	<u>42,641,957</u>	<u>32,071,489</u>

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**4. ACCOUNTS RECEIVABLE - TRADE**

The aging of outstanding balances as at March 31, 2003 and December 31, 2002 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31,	December 31,	March 31,	December 31,
	2003	2002	2003	2002
	"UNAUDITED" "REVIEWED"	"AUDITED"	"UNAUDITED" "REVIEWED"	"AUDITED"
Accounts receivable-Related Companies				
Past due 1-3 months	18,207,902	4,838,708	18,207,902	4,838,708
Over 3 months	-	494,492	-	494,492
Total accounts receivable- Related Companies	<u>18,207,902</u>	<u>5,333,200</u>	<u>18,207,902</u>	<u>5,333,200</u>
Accounts receivable-Other Companies				
Past due 1-3 month	50,368,520	30,014,835	44,694,206	22,444,022
Over 3 months	-	3,532,140	-	3,442,524
Total accounts receivable - Other Companies	<u>50,368,520</u>	<u>33,546,975</u>	<u>44,694,206</u>	<u>25,886,546</u>

**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,	December 31,	March 31,	December 31,
	2003	2002	2003	2002
	"UNAUDITED" "REVIEWED"	"AUDITED"	"UNAUDITED" "REVIEWED"	"AUDITED"
Year 2002	1,789,048	1,801,727	1,789,048	1,801,727
Year 2003	3,487,638	3,512,356	3,487,638	3,512,356
Year 2004	3,367,029	3,390,891	3,367,029	3,390,891
Year 2005	1,638,285	1,649,896	1,638,285	1,649,896
Total	10,282,000	10,354,870	10,282,000	10,354,870
Less current portion	(5,276,686)	(5,314,083)	(5,276,686)	(5,314,083)
Net	<u>5,005,314</u>	<u>5,040,787</u>	<u>5,005,314</u>	<u>5,040,787</u>

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**6. INVESTMENTS IN SUBSIDIARY**

**AS AT MARCH 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	159,750,000	49.0	<u>78,277,500</u>	<u>60,489,612</u>	-

**AS AT DECEMBER 31, 2002**

Name	Activities	Paid up Capital (In Baht)	% Holdings	In Baht		Dividends
				At Cost	At Equity	
C & W Interfoods Co., Ltd.	Frozen Dough , Bakery Products	159,750,000	49.0	<u>78,277,500</u>	<u>65,887,517</u>	-

**7. PROPERTY , PLANT AND EQUIPMENT – NET**

	IN BAHT	
	Consolidated	The Company Only
For the three-month period ended March 31, 2003		
Net book value, Beginning of period	581,910,922	404,286,795
Acquisition	26,903,036	23,526,672
Disposals	(328,582)	(8)
Depreciation	<u>(15,019,856)</u>	<u>(10,906,284)</u>
Net book value, End of period	<u>593,465,520</u>	<u>416,907,175</u>

**8. OVERDRAFTS AND SHORT - TERM LOANS FROM FINANCIAL INSTITUTIONS**

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”	March 31, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”
Bank overdrafts	20,664,535	237,697	5,584,295	-
Import loans	-	680,604	-	-
Short-term loan	-	5,000,000	-	-
Total	<u>20,664,535</u>	<u>5,918,301</u>	<u>5,584,295</u>	<u>-</u>

As at March 31, 2003 and December 31, 2002, subsidiary had the overdraft line and short - term loans from a financial institution amounted to Baht 30 million and Baht 45 million, respectively.

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Import loan bears interest at the rate of 6.25 % per annum and short-term loan bears interest at the rate of MLR-1 per annum. Such loans are guaranteed by mortgaged of land and structures thereon and pledged machinery of subsidiary.

**9. LONG -TERM LOANS – NET**

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	March 31, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”	March 31, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”
Long – term loans	50,000,000	43,480,851	-	-
<u>Less</u> Current portion	<u>(2,200,000)</u>	<u>(2,550,000)</u>	<u>-</u>	<u>-</u>
Net	<u>47,800,000</u>	<u>40,930,851</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.

In 2002, Loans denominated in Baht are from local financial institutions consist of :-

The first loan of Baht 29.8 million, payable in installments through April 2008, interest payable monthly and bears interest at the rates ranging from MLR-1 to MLR per annum.

The second loan of Baht 13.7 million , payable in installments through February 2007, interest payable monthly and bears interest at the rates ranging from MLR-1 to MLR per annum.

Subsidiary has already fully paid for the loans which obtained in 2002 during the first quarter of 2003.

The aforementioned loans were collateralized by mortgaged land and structures and pledged machinery of subsidiary.

**10. BUSINESS SEGMENT INFORMATION**

The Company is engaged in exporting vegetables and frozen fruits.

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

	IN BAHT					
	Exported	Domestic				
	Sales	Sales	Total	Subsidiary	Elimination	Net
Net sales	179,953,432	6,047,075	186,000,507	15,096,243	-	201,096,750
Cost of sales	142,955,595	4,803,816	147,759,411	16,299,059	-	(164,058,470)
Gross profit (loss)	36,997,837	1,243,259	38,241,096	(1,202,816)	-	37,038,280

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	IN BAHT					
	Exported	Domestic				
	Sales	Sales	Total	Subsidiary	Elimination	Net
Selling expenses	17,173,062	577,076	17,750,138	4,281,068	-	22,031,206
Income (loss) from operating	19,824,775	666,183	20,490,958	(5,483,884)	-	15,007,074
Interest and other income			2,624,533	142,221	-	2,766,754
Central expenses			(25,374,487)	(4,798,143)	5,397,905	(24,774,725)
Interest expenses			(710)	(876,326)	-	(877,036)
Income tax			(236,670)	-	-	(236,670)
Minority interest in net loss			-	-	5,618,227	5,618,227
Net income(loss)			(2,496,376)	(11,016,132)	11,016,132	(2,496,376)
Property and equipment-net as at March 31, 2003			416,907,175	176,558,345	-	593,465,520
Other assets			653,630,906	27,104,018	(60,489,612)	620,245,312
Total assets			1,070,538,081	203,662,363	(60,489,612)	1,213,710,832

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

	IN BAHT					
	Exported	Domestic				
	Sales	Sales	Total	Subsidiary	Elimination	Net
Net sales	157,789,769	3,985,818	161,775,587	-	-	161,775,587
Cost of sales	119,611,725	3,021,429	122,633,154	-	-	122,633,154
Gross profit	38,178,044	964,389	39,142,433	-	-	39,142,433
Selling expenses	13,632,751	344,367	13,977,118	-	-	13,977,118
Income from operating	24,545,293	620,022	25,165,315	-	-	25,165,315
Interest and other income			2,089,220	-	-	2,089,220
Central 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 in net loss			-	-	849,339	849,339
Net income(loss)			6,456,065	(1,665,370)	1,665,370	6,456,065
Property and equipment-net 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

## 1. FINANCIAL INSTRUMENTS

As at March 31, 2003, the Company and subsidiary have no policy to perform speculate or trade the financial instrument transaction (derivatives).

Financial assets and financial liabilities carried on the balance sheets include cash and deposits at financial institutions, current investments, trade and other accounts receivable and payable and loans. The recognition and measurement of these items are disclosed and presented in fair value.

As at March 31, 2003 and December 31, 2002, the carrying values of the Company and subsidiary's financial instruments are not significantly different from their fair value.

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**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**

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, 2003, assets and liabilities of the Company which are not hedged as follows :

	<b>Currencies</b>	<b>The Company only</b>
Receivables from sales of investment	U.S. Dollar	240,815
Accrued expenses	U.S. Dollar	58,596

**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 Note 8 and 9 to the interim financial statements)

**12. CONTINGENT LIABILITY**

As at March 31, 2003, the Company and subsidiary have contingent liable for banks guarantee amounting to approximately Baht 7.4 million.

**13. SUBSEQUENT EVENTS**

At the ordinary Shareholders' Meeting for the year 2003, held on April 30, 2003, the shareholders were unanimously approved the payment of Dividends from net income under the Board

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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 30, 2003.

In addition, on April 30,2003, the Company had entered into the Joint Venture Agreement with River Kwai International to manufacturing and distributing of frozen sweet corn and other sweet corn by establishing the registered company, Agrifood Processing Co.,Ltd. for distribution with the proportion 51% in such company.