

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARY
NOTE TO INTERIM FINANCIAL STATEMENTS
JUNE 30, 2002 AND 2001 (REVIEWED) AND DECEMBER 31, 2001 (AUDITED)

**1. BASIS OF INTERIM FINANCIAL STATEMENT AND CONSOLIDATED
INTERIM FINANCIAL STATEMENT 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 of Chiangmai Frozen Foods Public Company Limited and Subsidiary C&W Interfoods Co., Ltd which holding 49% of share capital by its two directors who are the authorized persons to make decision for the subsidiary's operation.

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

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

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 and six-month periods ended June 30, 2002 are consistent with those used to prepare the financial statements for the year ended December 31, 2001. The additional accounting policies adopted during the three-month and six-month periods ended June 30, 2002 are as follows :

Finance Lease

Leases of property, plant and equipment where the Company and subsidiaries have substantially been transferred all the risks and rewards of ownership are classified as finance leases. Finance leases are recognized as assets and liabilities at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period. The lease payment amount net of finance charges is recorded as the

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reduction of the outstanding liability. The depreciable assets acquired under finance leases are depreciated over the useful life of the assets.

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 for the three-month period ended June 30, 2002 and 2001 are as follows:

	IN BAHT		
	CONSOLIDATED	THE COMPANY ONLY	
	2002	2002	2001
Sales			
Itochu Corporation Co., Ltd.	37,213,805	37,213,805	54,679,554
P.P Foods Supply Co., Ltd.	3,219,550	3,219,550	4,004,575
Total	40,433,355	40,433,355	58,684,129

A summary of significant transactions for the six - month periods ended June 30, 2002 and 2001 is set out below.

	IN BAHT		
	CONSOLIDATED	THE COMPANY ONLY	
	2002	2002	2001
Sales			
Itochu Corporation Co., Ltd.	66,564,886	66,564,886	81,559,114
P.P Foods Supply Co., Ltd.	5,939,958	5,939,958	7,008,755
Total	72,504,844	72,504,844	88,567,869

Outstanding balances arising from sales.

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30,	December 31,	June 30,	December 31,
	2002	2001	2002	2001
	“UNAUDITED”	“UNAUDITED”	“UNAUDITED”	“UNAUDITED”
	“REVIEWED”	“AUDITED”	“REVIEWED”	“AUDITED”
Accounts receivable				
Itochu Corporation Co., Ltd.	11,743,274	4,114,093	11,743,274	4,114,093
P.P Foods Supply Co., Ltd.	2,167,650	1,596,800	2,167,650	1,596,800
Ing shiang Co., Ltd.	951,827	506,961	951,827	506,961
Total	14,862,751	6,217,854	14,862,751	6,217,854

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4. ACCOUNTS RECEIVABLE - TRADE

The aging of outstanding balances as at June 30, 2002 and December 31, 2001 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2002	December 31, 2001	June 30, 2002	December 31, 2001
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
Accounts receivable-related Companies				
Past due 1-3 month	14,862,751	6,217,854	14,862,751	6,217,854
Accounts receivable-other Companies				
Past due 1-3 month	77,286,721	50,594,353	73,095,183	50,594,353
Total Accounts Receivable – Trade	<u>92,149,472</u>	<u>56,812,207</u>	<u>87,957,934</u>	<u>56,812,207</u>

5. RECEIVABLES FROM SALES OF INVESTMENTS

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 quarterly installments through 2005 as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2002	December 31, 2001	June 30, 2002	December 31, 2001
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
2002	1,734,036	3,725,453	1,734,036	3,725,453
2003	3,380,395	3,600,926	3,380,395	3,600,926
2004	3,263,494	3,476,398	3,263,494	3,476,398
2005	1,587,909	1,691,501	1,587,909	1,691,501
Total	9,965,834	12,494,278	9,965,834	12,494,278
Less current portion	(3,438,846)	(3,725,453)	(3,438,846)	(3,725,453)
Net	<u>6,526,988</u>	<u>8,768,825</u>	<u>6,526,988</u>	<u>8,768,825</u>

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6. INVESTMENTS IN SUBSIDIARY

AS AT JUNE 30, 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	130,000,000	49.0	63,700,000	59,922,403	-

AS AT DECEMBER 31, 2001

Name	Activities	Paid up Capital (In Baht)	% Holdings	In Baht		Dividends
				At Cost	At 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 C&W Interfoods Co.,Ltd. which jointly between Chaingmai Frozen Foods Public Co., Ltd. and Wonder Interfoods Co., Ltd. by Mr.Supoj Wongchirattikan, A major shareholder, in percentage of holding 49:51. The such subsidiary was incorporated as a limited company with Ministry of Commerces on August 17,2001 and started commercial operations on May 21,2002.

7. PROPERTY , PLANT AND EQUIPMENT – NET

	IN BAHT	
	Consolidated	The Company Only
	Property,plant and equipment	Property,plant and equipment
For the six-month period ended June 30, 2002		
Net book value, Beginning of period	492,834,319	426,977,368
Acquisition	107,908,731	7,539,285
Disposals	(197,753)	-
Depreciation	(32,316,976)	(29,677,655)
Net book value, End of period	<u>568,228,321</u>	<u>404,838,998</u>

8. LOANS FROM FINANCIAL INSTITUTIONS

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2002	December 31, 2001	June 30, 2002	December 31, 2001
	“UNAUDITED”	“AUDITED”	“UNAUDITED”	“AUDITED”
	“REVIEWED”	“REVIEWED”	“REVIEWED”	“REVIEWED”
Import loans	16,827,171	-	-	-
Short-term loan	5,000,000	-	-	-
Total	<u>21,827,171</u>	<u>-</u>	<u>-</u>	<u>-</u>

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A subsidiary has the loan facilities from a local bank amounted to Baht 40 million. Import loan bears interest at the rates of 6.25 % per annum and short-term loan bears interest at the rate of MLR-1 per annum. Such loans are guaranteed by the mortgage of land and structures and machinery of subsidiary.

9. LIABILITIES UNDER FINANCE LEASE CONTRACTS - NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2002	December 31, 2001	June 30, 2002	December 31, 2001
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
Liabilities under finance lease contracts	976,680	-	-	-
<u>Less</u> Deferred interest	(98,021)	-	-	-
Current portion of liabilities under finance lease contracts	(344,710)	-	-	-
Liabilities under finance lease contracts – net	<u>533,949</u>	<u>-</u>	<u>-</u>	<u>-</u>

In May 2002, A subsidiary bought its assets under financial lease contracts with a leasing company for a period of three years, which will due within April 2005. Value of its assets under such lease contracts amounted to approximately Baht 1 million. A subsidiary has a purchase option based on the prices indicated in the contracts when the period of leases are expired.

10. LONG -TERM LOANS – NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2002	December 31, 2001	June 30, 2002	December 31, 2001
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
Loans denominated in Thai Baht	20,884,437	-	-	-
<u>Less</u> Current portion	(1,050,000)	-	-	-
Long-term loans-net	<u>19,834,437</u>	<u>-</u>	<u>-</u>	<u>-</u>

Loans denominated in Thai Baht are from local financial institutions consist of :-

The first loan of Baht 13 million, payable in Installments through April 2008 with interest payable monthly which bear interest at the rates of MLR-1 to MLR per annum.

The second loan of Baht 7.8 million, payable in Installments through February 2007 with interest payable monthly which bear interest at the rates of MLR-1 to MLR per annum.

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

11. MINORITY INTEREST

	IN BAHT CONSOLIDATED	
	June 30, 2002 “UNAUDITED” “REVIEWED”	December 31, 2001 “AUDITED”
Beginning of period	9,401,380	-
Acquisition	56,300,000	36,000,000
Less Share subscription receivable	-	(26,000,000)
Equity in net loss of subsidiary for the period	(3,333,165)	(598,620)
Ending of period	62,368,215	9,401,380

12. DIVIDENDS

At the ordinary Shareholders’ Meeting for the year 2002, held on April 30, 2002, 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 4 per share totalling Baht 84 million. Such dividends paid on May 30, 2002.

At the ordinary Shareholders’ Meeting for the year 2001, held on April 30, 2001, 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 4 per share totalling Baht 84 million. Such dividends paid on May 30, 2001.

13. OPERATING INCOME

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

	IN BAHT		
	FOR THE THREE - MONTH PERIODS ENDED JUNE 30,		
	CONSOLIDATED	THE COMPANY ONLY	
	2002	2002	2001
Depreciation on plant and equipment	17,891,128	16,201,356	12,778,496
Staff costs	36,482,779	34,658,350	38,112,437
Number of employees (persons)	1,242	1,063	1,125

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	IN BAHT		
	FOR THE SIX – MONTH PERIODS ENDED JUNE 30,		
	CONSOLIDATED	THE COMPANY ONLY	
	2002	2002	2001
Depreciation on plant and equipment	32,316,976	29,677,655	25,147,253
Staff costs	70,644,102	68,365,325	69,451,672
Number of employees (persons)	1,242	1,063	1,125

14. PROMOTIONAL PRIVILEGES

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

- 14.1 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)
- 14.2 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)
- 14.3 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)
- 14.4 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.

15. BUSINESS SEGMENT INFORMATION

The Company segment information for the three - month period ended June 30, 2002 are as follows:

	IN BAHT				
	Exported Sales	Domestic Sales	Total	Subsidiary	Net
Net sales	234,718,325	6,421,108	241,139,433	5,891,944	247,031,377
Cost of sales	141,354,934	3,897,819	145,252,753	6,940,265	152,193,018
Gross profit (loss)	93,363,391	2,523,289	95,886,680	(1,048,321)	94,838,359
Selling expenses	21,247,358	580,441	21,827,799	969,037	22,796,836
Income (loss) from operating	72,116,033	1,942,848	74,058,881	(2,017,358)	72,041,523
Interest and other income			1,240,306	104,863	1,345,169
General corporate expenses			(23,959,120)	(2,945,289)	(24,517,988)
Interest expenses			(256)	(12,463)	(12,719)
Income tax			(266,806)	-	(266,806)

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	IN BAHT					
	Exported Sales	Domestic Sales	Total	Subsidiary	Elimination	Net
Minority interest in net income			-	-	2,483,826	2,483,826
Net income(loss)			51,073,005	(4,870,247)	4,870,247	51,073,005
Net property and equipment as at June 30,2002			404,838,998	163,389,323		568,228,321
Other assets			633,508,226	27,559,295	(59,922,403)	601,145,118
Total assets			1,038,347,224	190,948,618	(59,922,403)	1,169,373,439

The Company segment information for the six - month period ended June 30,2002 are as follows:

	IN BAHT					
	Exported	Domestic				
	Sales	Sales	Total	Subsidiary	Elimination	Net
Net sales	392,508,094	10,406,926	402,915,020	5,891,944		408,806,964
Cost of sales	260,966,659	6,919,248	267,885,907	6,940,265		274,826,172
Gross profit (loss)	131,541,435	3,487,678	135,029,113	(1,048,321)		133,980,792
Selling expenses	34,880,109	924,808	35,804,917	969,037		36,773,954
Income (loss) from operating	96,661,326	2,562,870	99,224,196	(2,017,358)		97,206,838
Interest and other income			3,329,526	104,863		3,434,389
General corporate expenses			(44,313,080)	(4,610,659)	3,202,452	(45,721,287)
Interest expenses			(2,522)	(12,463)		(14,985)
Income tax			(709,050)	-		(709,050)
Minority interest in net income			-	-	3,333,165	3,333,165
Net income(loss)			57,529,070	(6,535,617)	6,535,617	57,529,070
Net property and Equipment as at June 30,2002			404,838,998	163,389,323		568,228,321
Other assets			633,508,226	27,559,295	(59,922,403)	601,145,118
Total assets			1,038,347,224	190,948,618	(59,922,403)	1,169,373,439

The Company segment information for the three-month period ended June 30,2001 are as follows:

	In Baht		
	Exported	Domestic	
	Sales	Sales	Total
Net sales	309,990,489	4,486,575	314,477,064
Cost of sales	170,132,054	2,462,367	172,594,421
Gross profit	139,858,435	2,024,208	141,882,643
Selling expenses	26,447,666	361,008	26,808,674
Income from operating	113,410,769	1,663,200	115,073,969
Interest and other income			988,819
General corporate expenses			(18,037,632)

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Income tax		(135,214)
Net income		<u>97,889,942</u>
	In Baht	
	<u>Exported</u>	<u>Domestic</u>
	<u>Sales</u>	<u>Sales</u>
		<u>Total</u>
Net property and equipment as at June 30, 2001		401,196,410
Other assets		610,527,490
Total assets		<u>1,011,723,900</u>

The Company segment information for the six-month period ended June 30,2001 are as follows:

	In Baht	
	<u>Exported</u>	<u>Domestic</u>
	<u>Sales</u>	<u>Sales</u>
		<u>Total</u>
Net sales	487,603,661	10,154,035
Cost of sales	294,637,022	6,135,628
Gross profit	192,966,639	4,018,407
Selling expenses	43,565,718	907,228
Income from operating	149,400,921	3,111,179
Gain on exchange rate		2,355,649
Interest and other income		2,195,780
General corporate expenses		(37,244,559)
Interest expenses		(229)
Income tax		(276,106)
Net income		<u>119,542,635</u>
Net property and equipment as at June 30, 2001		401,196,410
Other assets		610,527,490
Total assets		<u>1,011,723,900</u>

16. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities carried on the balance sheets include cash on hand and in bank, short - term investments in fixed deposits, 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 June 30,2002 and December 31,2001,the carrying values of the Company's financial instruments are not significantly different from their fair value.

16.1 Currency risk

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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16.2 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 does not expect any counterparties to fail to meet their obligations.

16.3 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 loan from financial institutions and long-term loans (the details in Notes 8 and 10)

17. CONTINGENT LIABILITY

As at June 30, 2002, the Company and subsidiary have contingent liability for banks guarantee amounting to approximately Baht 7.9 million.

18. RECLASSIFICATION OF ACCOUNTS

Certain accounts in 2001 interim financial statements have been reclassified to conform with the 2002 interim financial statement presentation.