

CHIANGMAI FROZEN FOODS PUBLIC COMPANY LIMITED AND SUBSIDIARIES
NOTE TO THE INTERIM FINANCIAL STATEMENTS
JUNE 30, 2003 AND 2002 (REVIEWED) AND DECEMBER 31, 2002 (AUDITED)

1. BASIS OF INTERIM FINANCIAL STATEMENTS 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 interim financial statements and consolidated 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.

On April 30, 2003, the Company had entered into the Joint Venture Agreement with River Kwai International to engage in manufacturing and distributing of frozen sweet corn and other sweet corn by establishing the registered company, Agrifood Processing Co.,Ltd. which authorized share capital, Baht 120 million and paid-up 25% amounted to Baht 30 million for distribution with the proportion 51%. Such subsidiary was incorporated as a limited company with Ministry of Commerces on June 6, 2003.

The consolidated interim 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
	2003	2002	BUSINESS
C&W INTERFOODS CO.,LTD.	49.00	49.00	Frozen Dough, Bakery Products
AGRIFOOD PROCESSING CO., LTD.	51.00	-	Sweet Corn Distribution

Subsidiary 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 by 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 June 30, 2003 are consistent with those used to prepare the financial statements for the year ended December 31, 2002.

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3. TRANSACTIONS WITH RELATED COMPANIES

The Company has certain transactions with their related companies. A portion of assets, liabilities, revenues 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.

3.1 Relationships and pricing policies

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

	Relation Ships		Pricing policy
<u>Related companies :</u>			
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	
	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”
Accounts receivable				
Itochu Corporation Co., Ltd.	19,866,913	2,239,593	19,866,913	2,239,593
P.P Foods Supply Co., Ltd.	3,198,891	2,599,115	3,198,891	2,599,115
Ing shiang Co., Ltd.	-	494,492	-	494,492
Total	<u>23,065,804</u>	<u>5,333,200</u>	<u>23,065,804</u>	<u>5,333,200</u>

3.3 Revenues

Revenues between the Company and related companies for the three-month periods ended June 30, 2003 and 2002 are as follows:

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	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Sales				
Itochu Corporation Co., Ltd.	69,742,693	37,213,805	69,742,693	37,213,805
P.P Foods Supply Co., Ltd.	3,020,391	3,219,550	3,020,391	3,219,550
Total	<u>72,763,084</u>	<u>40,433,355</u>	<u>72,763,084</u>	<u>40,433,355</u>

Revenues between the Company and related companies for the six-month periods ended June 30, 2003 and 2002 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	2003	2002	2003	2002
Sales				
Itochu Corporation Co., Ltd.	109,551,374	66,564,886	109,551,374	66,564,886
P.P Foods Supply Co., Ltd.	5,853,667	5,939,958	5,853,667	5,939,958
Total	<u>115,405,041</u>	<u>72,504,844</u>	<u>115,405,041</u>	<u>72,504,844</u>

4. ACCOUNTS RECEIVABLE - TRADE

The aging of outstanding balances as at June 30, 2003 and December 31, 2002 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30,	December 31,	June 30,	December 31,
	2003	2002	2003	2002
	“UNAUDITED” “REVIEWED”	“AUDITED”	“UNAUDITED” “REVIEWED”	“AUDITED”
Accounts receivable-Related Companies				
Past due not over 3 months	23,065,804	4,838,708	23,065,804	4,838,708
Over 3 months	-	494,492	-	494,492
Total accounts receivable – Related Companies	<u>23,065,804</u>	<u>5,333,200</u>	<u>23,065,804</u>	<u>5,333,200</u>
Accounts receivable-Other Companies				
Past due not over 3 months	57,317,070	30,014,835	51,626,185	22,444,022
Over 3 months	77,230	3,532,140	-	3,442,524
Total accounts receivable – Other Companies	<u>57,394,300</u>	<u>33,546,975</u>	<u>51,626,185</u>	<u>25,886,546</u>

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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 shareholders 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 upto year 2005 are as follows:

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”
Year 2002	-	1,801,727	-	1,801,727
Year 2003	2,819,055	3,512,356	2,819,055	3,512,356
Year 2004	3,299,273	3,390,891	3,299,273	3,390,891
Year 2005	1,605,317	1,649,896	1,605,317	1,649,896
Total	7,723,645	10,354,870	7,723,645	10,354,870
Less current portion	(4,483,464)	(5,314,083)	(4,483,464)	(5,314,083)
Net	3,240,181	5,040,787	3,240,181	5,040,787

6. INVESTMENTS IN SUBSIDIARIES

AS AT JUNE 30, 2003

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	78,277,500	52,977,740	-
Agrifood Processing Co.,Ltd.	Sweet corn distribution	30,000,000	51.0	15,300,000	15,013,212	-
Total				93,577,500	67,990,952	

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	78,277,500	65,887,517	-

7. PROPERTY , PLANT AND EQUIPMENT – NET

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	IN BAHT	
	Consolidated	The Company Only
For the six-month period ended June 30, 2003		
Net book value, Beginning of period	581,910,922	404,286,795
Acquisition	54,157,379	40,207,002
Disposals	(328,582)	(8)
Depreciation	(37,900,551)	(29,460,104)
Net book value, End of period	597,839,168	415,033,685

8. OVERDRAFT AND SHORT – TERM LOANS FROM FINANCIAL INSTITUTIONS

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”
Bank overdraft	761,975	237,697	761,975	-
Import loans	-	680,604	-	-
Short-term loan	25,029,920	5,000,000	-	-
Total	25,791,895	5,918,301	761,975	-

As at June 30, 2003 and December 31, 2002, subsidiary had the overdraft line and short - term loans from a local financial institution amounted to Baht 30 million and Baht 45 million, respectively. 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 LOAN FROM A RELATED COMPANY

In June 2003, subsidiary obtained loan from a related company amounted to Baht 7.5 million, repayable within 3 years up to June 2006. Such loan is not stipulate the amount of the repayment of principal, interest payable on monthly basis and bears interest at the rate of 6.5% per annum.

10. LONG -TERM LOANS – NET

	IN BAHT			
	CONSOLIDATED		THE COMPANY ONLY	
	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”	June 30, 2003 “UNAUDITED” “REVIEWED”	December 31, 2002 “AUDITED”
Loans denominated in Thai Baht	50,000,000	43,480,851	-	-
Less Current portion	(5,500,000)	(2,550,000)	-	-
Net	44,500,000	40,930,851	-	-

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In the first quarter of year 2003, subsidiary obtained loan from a financial institution amounted to Baht 50 million, last installments within February 2008, interest payable on monthly basis 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, last installments within April 2008, interest payable on monthly basis and bears interest at the rates ranging from MLR-1 to MLR per annum.

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

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

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

11. DIVIDENDS

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 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 paid on May 30, 2003.

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.

12. BUSINESS SEGMENT INFORMATION

The Company and subsidiaries are engage to export vegetables and frozen fruits. The Company segment information for the three - month period ended June 30, 2003 are as follows:

	IN BAHT					Net
	Exported Sales	Domestic Sales	Total	Subsidiaries	Elimination	
Net sales	341,249,658	6,618,297	347,867,955	13,891,007	-	361,758,962
Cost of sales	(207,218,954)	(3,705,518)	(210,924,472)	(16,156,201)	-	(227,080,673)
Gross profit (loss)	134,030,704	2,912,779	136,943,483	(2,265,194)	-	134,678,289
Selling expenses	(31,769,240)	(612,235)	(32,381,475)	(8,088,899)	-	(40,470,374)
Income (loss) from operating	102,261,464	2,300,544	104,562,008	(10,354,093)	-	94,207,915
Interest and other income			2,304,451	97,248	-	2,401,699
Central expenses			(23,549,266)	(4,559,248)	7,798,660	(20,309,854)
Interest expenses			(2,799)	(1,076,587)	-	(1,079,386)
Income tax			(175,972)	-	-	(175,972)
Minority interest in net loss			-	-	8,094,020	8,094,020
Net income(loss)			83,138,422	(15,892,680)	15,892,680	83,138,422

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	IN BAHT				
	Exported	Domestic			
	Sales	Sales	Total	Subsidiaries	Elimination
Property , plant and equipment-net as at June 30, 2003			415,033,685	182,805,483	
Other assets			713,148,963	58,162,877	(67,990,953)
Total assets			1,128,182,648	240,968,360	(67,990,953)
					1,301,160,055

The Company segment information for the six - month period ended June 30, 2003 are as follows:

	IN BAHT					
	Exported Sales	Domestic Sales	Total	Subsidiaries	Elimination	Net
Net sales	521,203,090	12,665,372	533,868,462	28,987,250	-	562,855,712
Cost of sales	(350,174,549)	(8,509,334)	(358,683,883)	(32,455,260)	-	(391,139,143)
Gross profit (loss)	171,028,541	4,156,038	175,184,579	(3,468,010)	-	171,716,569
Selling expenses	(48,942,302)	(1,189,311)	(50,131,613)	(12,369,967)	-	(62,501,580)
Income (loss) from operating	122,086,239	2,966,727	125,052,966	(15,837,977)	-	109,214,989
Interest and other income			4,928,984	239,469	-	5,168,453
Central expenses			(48,923,753)	(9,357,391)	13,196,565	(45,084,579)
Interest expenses			(3,509)	(1,952,913)	-	(1,956,422)
Income tax			(412,642)	-	-	(412,642)
Minority interest in net loss			-	-	13,712,247	13,712,247
Net income(loss)			80,642,046	(26,908,812)	26,908,812	80,642,046
Property , plant and equipment-net as at June 30, 2003			415,033,685	182,805,483	-	597,839,168
Other assets			713,148,963	58,162,877	(67,990,953)	703,320,887
Total assets			1,128,182,648	240,968,360	(67,990,953)	1,301,160,055

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

IN BAHT						
	Exported	Domestic				
	Sales	Sales	Total	Subsidiary	Elimination	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
Central expenses			(23,959,120)	(2,945,289)	2,386,421	(24,517,988)
Interest expenses			(256)	(12,463)	-	(12,719)
Income tax			(266,806)	-	-	(266,806)
Minority interest in net loss			-	-	2,483,826	2,483,826
Net income (loss)			51,073,005	(4,870,247)	4,870,247	51,073,005
Property , plant and equipment-net 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
Central 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 loss			-	-	3,333,165	3,333,165
Net income (loss)			57,529,070	(6,535,617)	6,535,617	57,529,070
Property ,plant and equipment-net 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

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13. FINANCIAL INSTRUMENTS

As at June 30, 2003, the Company and subsidiaries have no policy to perform speculate or trade the financial instrument transaction (derivatives).

13.1 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.

13.2 Credit risk

The risk arises from the counterparties defaulting which results in a financial loss to the Company and subsidiaries. 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.

13.3 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 June 30, 2003, assets and liabilities of the Company which are not hedged as follows :

	Currencies	The Company only
Receivables from sales of investment	U.S. Dollars	184,611
Accrued commission expenses	U.S. Dollars	61,559

13.4 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, 9 and 10 to the interim financial statements)

13.5 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.

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Loans; the carrying values approximate their fair values

14. COMMITMENTS AND CONTINGENT LIABILITY

As at June 30, 2003

14.1 The Company and subsidiary have contingent liability for banks guarantee issued in favor of government agency amounting to approximately Baht 6.4 million which are pledged by subsidiary's fixed deposit amounting to Baht 0.8 million.

14.2 The Company has unused letter of credits amounting to approximately Baht 3.9 million.

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

15. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2002 financial statements have been reclassified to conform with the 2003 interim financial statement presentation.