



รายงานประจำปี 2549

Annual Report 2006



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ANNUAL REPORT 2006 OF LAM SOON (THAILAND) PLC.

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1. Financial Highlights (Consolidated)

1.1 Financial figures

(Unit: Million Baht)

	2004	2005	2006
Total Assets	3,719	3,335	3,567
Total Liabilities	2,148	1,606	1,615
Shareholders' Equity	1,571	1,728	1,952
Sales	5,081	5,114	5,304
Total Revenues	5,131	5,155	5,374
Gross Profit	734	647	955
Net Profit	134	54	229

1.2 Financial ratios

(Unit: %)

	2004	2005	2006
Net Profit Margin	2.61	1.05	4.32
Return on Equity	10.74 ⁽ⁱ⁾	3.27	12.44
Return on Total Assets	5.70 ⁽ⁱ⁾	1.53	6.63

1.3 Per share data

(Unit: Baht)

	2004	2005	2006
Earnings per Share	0.18 ⁽ⁱⁱ⁾	0.07 ⁽ⁱⁱ⁾	0.28 ⁽ⁱⁱ⁾
Dividend Paid per Share	0.15	0.025	0.03
Dividend pr Share (operation year)	0.075	0.03	0.20 ⁽ⁱⁱⁱ⁾
Book Value per Share	1.71 ⁽ⁱ⁾	1.85 ⁽ⁱ⁾	2.00 ⁽ⁱ⁾

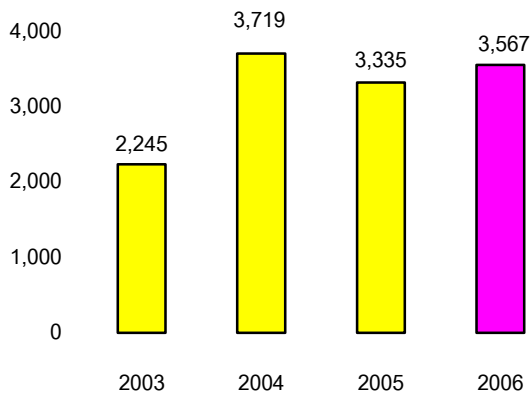
Note : ⁽ⁱ⁾ Based on the Company only.

⁽ⁱⁱ⁾ Determined by weighted average number of shares after deducting shares repurchased during the year.

⁽ⁱⁱⁱ⁾ According to the resolution of BOD meeting on 28/2/07, to be proposed to AGM no. 1/2007.

TOTAL ASSETS

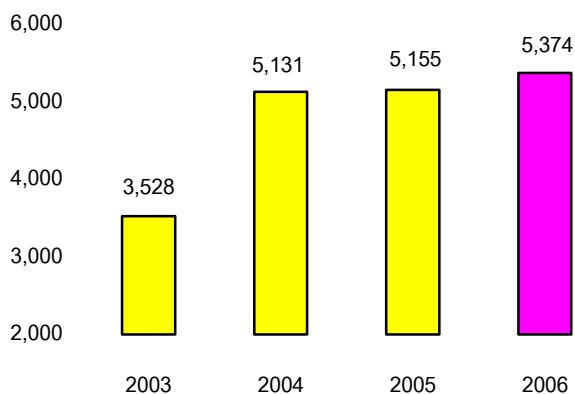
(Million Baht)

*(referred to Page 37)*Total assets: increased by 6.97% because:-

- 1) Inventory of the Company increased by 78.99 million Baht, in line with 90% increase in CPO production of the Kingdom in Q4/06 compared with Q4/05. However, inventory of subsidiary dropped by 48.81 million Baht due to the shortage of raw material caused by flooding during Q4/2006.
- 2) Subsidiaries' fixed assets increased by 10.69%, most of which belonged to BOI expansion project and replanting programme.

TOTAL REVENUES

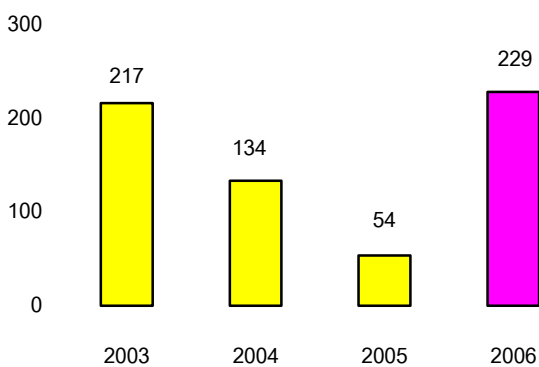
(Million Baht)

*(referred to Page 34)*Total revenues : increased by 4.25%.

- 1) Sales of the Company and its subsidiary increased by 3.7% due to an increase of sales volume.
- 2) The increase in other income came from sales in palm shell and other scraps as well as the reversal of allowance set at the end of 2005 for diminution in inventory value .

NET PROFIT

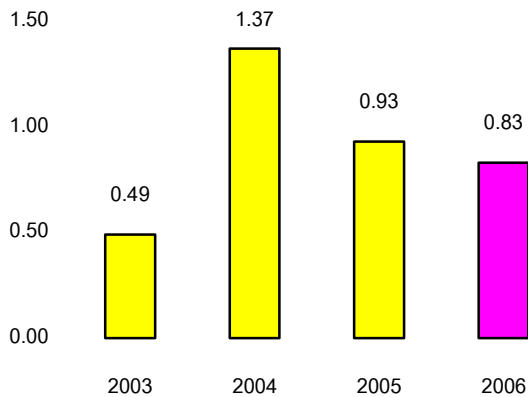
(Million Baht)

*(referred to Page 37)*Net profit : was up 175.05 million Baht, or 324.89%.

- Gross profit margin increased from 12.65% in 2005 to 18.02%.
- Other incomes increased.

Note : presented by consolidated statements.

DEBT TO EQUITY RATIO (Times)

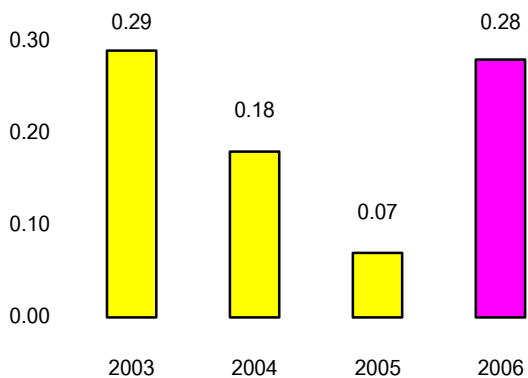


(referred to Page 41)

Debt to equity ratio : declined from 0.93 times in 2005 to 0.83 times, as the Company made repayment of loans during the year.

EARNINGS PER SHARE (Baht)

(par value adjusted to 1 Baht for comparison)

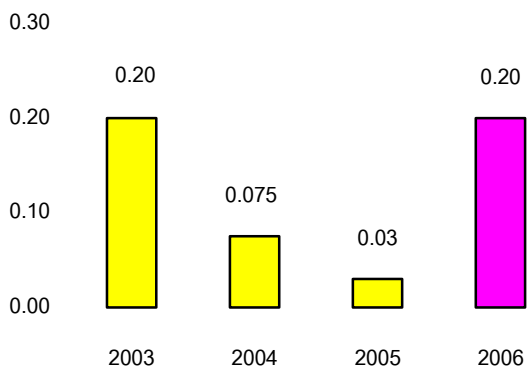


(referred to Page 37)

Earnings per share (EPS) : EPS was up to 0.28 Baht per share.

DIVIDEND PER SHARE (Baht)

(par value adjusted to 1 Baht for comparison)



(referred to Page 37)

Dividend per share (DPS) : Pursuant to the resolution of BOD meeting on 28 Feb 07, DPS of 0.20 Baht is proposed to be paid for the financial year 2006, subject to approval at AGM no. 1/2007. This would represent a payout ratio of 71.43% of net profit, in accordance with the Company's policy of paying not less than 40% of its net profit after tax as dividend.

Note : presented by consolidated statements.

2. Message from the Managing Director

After a difficult 2005 with low profit margin, your Company recovered strongly in 2006. Total revenues improved slightly from 5,155 million Baht to 5,374 million Baht. More importantly your Company enjoyed much better net profit, from 54 million Baht to 229 million Baht, increasing by 175 million Baht, or over 300% thanks to nationwide increase in crude palm oil (CPO) production from 2005 which in turn led to the decrease in CPO price. Your Company recorded a decrease in average selling price of 8.47%. Sales volume, on the other hand, increased by 10.10%. Gross margin accordingly increased from 7.39% in 2005 to 12.37% in 2006. Furthermore, with the lower average market price of fresh fruit bunch (FFB) in 2006, its plantation subsidiary thus could increase both its purchase of FFB from outgrowers and its own crop. FFB processed in 2006 was consequently 85.91% higher than in 2005, while cost of sales declined from 70.01% in 2005 to 65.73% in 2006.

Such success would not have been possible without the professionalism and dedication of Lam Soon's working staff. Your Company is determined to maintain its leadership in this industry. Equal importance is attached to managing and attending in every step of production process, the development of products to satisfy customers and consumers in various aspects of nutrition, hygiene, as well as concerning of social and environment responsibility.

Manufacturing

In 2006, the Group invested to improve and to expand the production capacity of various BOI plants namely:-

- production expansion project of its CPO crushing mills in Trang and Krabi.
- oil palm seed propagation project of its subsidiary at Krabi.

Approval has been given to your Company by the Board of Investment (BOI) to commence the commercial operation of margarine and shortening plants since 4 September 2006, increasing its capacity by 27,360 tonnes per year. The said project has been automated with advanced equipment to enhance the efficiency and achieve cost saving, and produce high quality of product.

Your Company continues to maintain and develop international quality standards consisting of GMP, HACCP, ISO 9001:2000, ISO 14001. Your Company is in the process of being certified by the Industrial Standard 18001 which is the safety and professional hygienic management system, covering ways to reduce and control risks for working staff and those concerned, including possible impact to adjacent community. It is expected that your Company will be certified in the middle of 2007.

Marketing

Your Company is associated with established brands such as “Yok” for cooking oil and “Zest Gold”, “Zest”, “Golden Jade”, “Golden Leaf”, “Moon Light” for baking fats. Our brand portfolio will be strengthened with new brands in response to health conscious need of consumers. In the cooking oil category, your Company introduces new product, Camellia Oil under “Naturel” brand for the first time in Thailand. This product was supported by a medical research result that it can reduce low density lipoprotein as it contains high volume of omega3, omega6 and omega9. This is followed by “Natural” Olive Oil. Moreover, UFC, its subsidiary has introduced “Chooze”, 100% mixed fruit and vegetable juice that contains nutrition essence from natural vegetables and fruits. It comes in three new flavours : Beta Redbeat, Sunny Carrot and Happy Veggy. In 2007 and beyond, your Company and its subsidiary will continue to develop its food products to the market in order to realize the Kitchen of the World Policy.

Your Company is determined to apply its existing strengths such as trust of customers and of trading partners, modern technology and wide network of the group, to its utmost benefit, to increase its market share and improve return to shareholders. To this end, your Company is aggressing recruiting qualified personnel ready to create new products and develop new markets, which are the crucial factors for success and progress amidst the expanding and competing era.

I would like to take this opportunity to thank customers, trading partners, shareholders, the Board, for their support. My special thanks also go to the Executives and all the staff for their dedication in bringing your Company to success amidst numerous changes.



Mr. Somchai Chongsawadchai
Managing Director

3. Report of the Audit Committee

The Audit Committee comprised the following:

Mr. Songkram Grachangnetara	Chairman and Independent Director
Mrs. Saruda Changsiricharoen	Member and Independent Director
Mr. Tanatat Puttasuwan	Member and Independent Director
Ms. Anchalee Suebchantasiri	Secretary and Executive Director

In 2006, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements, submitted to the Board of Directors. The financial statements were in accordance with generally accepted accounting principles. The disclosures of information were found to be adequate and accurate;
2. From May 2006, the Board has authorized the Audit Committee to approve, sign, and disclose the Company's interim financial statements, although the annual financial statement would remain subject to the Board's approval before disclosure. This practice complies with the new Accounting Standard No.52 (AS52) concerning events occurring after the date of the financial statements;
3. Examination of the reports of internal audit as set out in the annual audit plan, with proposals to the management to take necessary actions. In 2006, the Company was found to have exercised an appropriate and effective internal control system, with transparent governance and no material management failures;
4. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency;
5. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;
6. Proposal to the Board of Directors to consider renewal of the appointment of Dr. Virach and Associates to be outsourced internal auditor for a further two-year term, to 31 December 2007, including appropriate remuneration and the 2006 annual audit plan;
7. Proposal to the Board of Directors for approval at the 2006 annual general meeting of shareholders, the appointment of Ernst & Young Office Limited to be the statutory auditor of the Company for 2006 including appropriate remuneration;

8. Consideration of the survey form issued by the Stock Exchange of Thailand (SET) to evaluate the extent to which the Company has adopted Good Corporate Governance Principles meeting the standards of The Organization of Economic Co-Operation and Development (OECD), and acknowledgement of the Company's evaluation in this regard as "Good";
9. Consideration of the evaluation checklist of Quality of Listed Company AGM, issued by the SEC, Thai Investors Development Association, and Listed Companies Association. The Checklist contains items which LST has mostly implemented;
10. Meeting with the management and external auditors regarding the accounting standard Issue no 44 Re: Consolidated Financial Statement and the Accounting for Investments in Subsidiaries, with subsequent recommendation to the Board to accept.

The Committee has examined the Company's business performance in 2006 and concluded that the Board of Directors and the management together maintained effective responsibilities and commitments on good corporate governance and suitable targets for corporate achievements for the benefits of its shareholders. They noted that the Company continued systematically to exercise good internal control, appropriate risk management, adequate information technology and effective corporate governance, in compliance with all relevant statutes and regulations.



Mr. Songkram Grachangnetara
Chairman of the Audit Committee

4. Report on the Implementation of 15 Principles of Good Corporate Governance

Lam Soon (Thailand) Plc. places great importance on good corporate governance, as policy as well as in practice. Good corporate governance is viewed as a key principle in support of business decisions and operations characterised by transparency, honesty, equitable treatment of stakeholders, and efficient management practice. The Company aims to achieve sustainable business growth by applying good corporate governance principles in accordance with those prescribed by the Stock Exchange of Thailand as follows:

1. Policy on Corporate Governance

The Board of Directors believes that the corporate governance regime of the Company is vital to its business success, and that it shall yield maximum benefits to the shareholders. The Board has adhered to good corporate governance in policy and practice with emphasis on improving the internal control system, upholding respect, rights and equitable treatment of shareholders, enhancing transparency in management, advocating information sharing and policy-making decision in the organizational structure, duties and responsibilities, and the professional independence of the Board of Directors. The Board also discloses the Report on Good Corporate Governance to the public in the Annual Report and the Annual Registration Statement (Form 56-1) including announced as guidelines to the management and staff. In addition, each level of management is encouraged to set example by good practice, and is empowered to supervise, support, and ensure complete implementation.

2. Shareholders: Rights and Equitable Treatment

The Company respects the rights of all shareholders to receive the Company's information accurately and in good time, and to have the equal opportunity to participate in shareholders' meetings. The Company's intention is to disclose all material information accurately, in a transparent and timely manner. In 2006, the Company held the Annual General Meeting of Shareholders at the Company's head office. In compliance with the regulations, the Company sent invitation letters and provided information on the meeting's agenda to shareholders more than 7 working days in advance, together with the Board's opinion on each agenda item and the minutes of the previous meeting. However, there were some agenda items with incomplete information regarding the implementation of good corporate governance principles, i.e. disclosure of pending legal cases involving persons to be nominated as directors, the methods of recruiting directors, and criteria or factors to be used to consider directors' remuneration.

Proxy forms were also sent to shareholders so that those unable to attend the meeting could authorize a representative or an independent director, as appointed by the Company, to be their proxy to attend the meeting on their behalf.

During the shareholders meeting, the Chairman would conduct the meeting in the order of the agenda shown in the invitation letter and would encourage equal opportunities for shareholders to express their opinions and to raise questions related to the agenda as appropriate. It is the Company's policy to operate the business prudently in order to pay dividend to the shareholders on a consistent basis as clearly stated in its dividend policy.

3. Various Groups of Stakeholders

The Company respects the rights of the various groups of stakeholders, not only internal groups such as the employees but also other stakeholders such as shareholders, creditors, customers, trading partners, competitors, regulators, and community. However, since the expectations of stakeholders might vary, the Company shall consider their legal rights thoroughly and carefully to ensure that such rights are protected and treated equitably. In respect of each group of stakeholders, the Company is resolved to follow the following:

- Employees: The Company recognizes its employees as the major factor of its success; therefore, knowledge and skill development for employees are fully supported, and provided as career development benefits.
 - Shareholders: It is the Company's policy to conduct the business on the principles of honesty, transparency and trust. Moreover, the Company intends to build up a strong financial status by creating and enhancing shareholders' value.
 - Creditors: The Company complies with the terms, conditions and repayment obligations of all loan agreements entered with its creditors.
 - Customers: In addition to the Company's responsibility to produce high-quality and high-standard products, it also keeps all customer information and transactions confidential. The customers' complaints are addressed by an ombudsman office to ensure customers' confidence and maximize customer satisfaction.
 - Trading partners: The Company recognizes that trading partners support the business operation, and honors the terms of all trading agreements entered with its trading partners. In addition, the Company's procurement policy and procedures are designed to ensure efficient appropriation, effectiveness, and fairness.
 - Competitors: The Company conducts its business transparently and competes on an ethical basis.
-

- Society, community and environment: The Company has participated in the Green Factory Project with the Thai Environment Institute and energy conservation project. More relevant projects are being planned for the future. This expresses the Company's commitment to the safety of our society, environment, and quality of life of the people. The Company respects the community and society, and consistently participates in their activities as well as complying with all laws and regulations.

The Company believes that the policies mentioned above will enhance the value of the Company, create jobs and secure the sustainable financial status of the Company.

4. Shareholders' Meeting

In 2006, the Company called the Annual General Meeting of Shareholders (AGM) on April 25, 2006. The meeting was an occasion for the shareholders to consider and express their opinion on the activities of the Company, the purpose of which was determined by the relevant laws. The Company sent invitation letters more than 7 working days in advance with related information on the meeting's agenda, the annual report with financial statements, and the proxy form to shareholders. This lead time was considered adequate for the details to be reviewed prior to the meeting date. The said information was sent to the shareholders whose names appeared in the registration book as of the designated closing date. A total of 8 Directors attended the previous AGM, including the Chairman of the Audit Committee, two members of the Audit Committee, and five Executive Directors. The Chairman of the Board was absent with apology due to the crucial mission. However, the Company will endeavor to have all the Directors attend the AGM.

At the shareholders' meeting, the Chairman called the meeting to order and invited the attending shareholders to question, comment and exchange views on the management and achievement of the Company's operations as set out in the agenda. Shareholders were also given the opportunity to propose additional items to the agenda. In addition, the minutes of the meeting incorporated the major questions and opinions raised by the shareholders during the meeting. Starting since 2007, the Company will circulate the draft minutes of the AGM through the Company's website, namely www.lamsoon.co.th.

5. Leadership and Vision

Members of the Board of Directors are knowledgeable and respected individuals, with relevant experience and expertise beneficial to the Company. The Board formulates and approves the Company's business plan and budget, and considers all significant proposals made by the management. It also supervises the management

to ensure that business operation of the Company is in compliance with the objectives and business plan, both in the short-term and in the long-term.

Members of the Board and the management are required to exhibit leadership and vision, and able to make decision carefully and independently for the benefit of the Company and its shareholders. The Board is kept informed by the management to understand the overall picture of the business, in order to supervise and comment on the management in effectively and efficiently executing the Company's policy.

6. Conflict of Interests

Conflict of interest is supervised by the Board through organization of the Board and Sub-Committees according to good corporate governance principles. The Company advocates honesty and transparency at every level, in compliance with the code of business ethics. In order to prevent conflict of interest, the Board has set up appropriate measures to safeguard the sensitive internal information and document usage. The management and relevant personnel are prohibited from using the Company's information for personal benefit, from disclosing such information to the public, and from buying, selling or persuading other persons to buy or sell the Company's securities within one month before public disclosure of the Company's financial reports.

Under the Company's policy and under Article 59 of the Securities and Stock Exchange Act B.E. 2535, directors and management including their spouses and immature children are required to report any changes of holding in the Company's securities to the Securities and Exchanges Commission and the Stock Exchange of Thailand within 3 days after the transaction date, and provide a copy of such a report to the Company. Directors are also required to notify the Board of their securities holding every quarter.

The management will propose to the Board through the Audit Committee the related party transactions and transactions of conflict of interest which have been considered properly and carefully in accordance with the regulations of Stock Exchange of Thailand. The details, value of transactions, contracting parties, and any relevant details of such transaction have already been disclosed in the Notes to Financial Statements, Annual Report, and Annual Registration Statement (Form 56-1).

7. Business Ethics

The Company considers good business ethics on the part of both the management and employees to be vital to business success and growth in the long term. The introduction of ISO 9001:2000, which relates to the standard of production and service and of HACCP system, the international food safety standard, together with

GMP (Good Manufacturing Practice) system, is designed to assure customers of the standard of products and services of the Company. Every employee implements and constantly develops these systems for the maintenance of standards and improves the working practice to achieve efficiency and acceptable standard. This is the major principle of the Company's business, focusing on product quality and service delivery for customers and consumers. The Company also complies with environmental management practice, and has been ISO14001 certified. The Company believes that to follow the code of business ethics is basic to strengthening and improving the principles of good corporate governance. Accordingly, a written code of business ethics as approved by the Board has been declared to Board members, the management and employees. The Company will institute a follow-up process and conduct an annual review and report on compliance in 2007.

8. Balance of Power for Non-Executive Directors

The management organisational structure and operations must be trustworthy and transparent. Members of the Board have clearly defined legal duties and responsibilities, and the composition does not allow anyone or any group of persons unlimited power. There are 9 Directors comprising 5 Executive Directors and 4 Independent Directors to provide a balance of power and appropriate management review and to be able to express any opinions independently for preventing conflict of interests. The Company does not determine the number of directors based on proportionate shareholdings in the Company.

9. Aggregation or Segregation of Positions

The Chairman of the Board is an independent director as defined by the governing rule of the Stock Exchange of Thailand, and has no relation with the management. This allows for segregation of duties in setting the policy of corporate governance and on routine operations, which come under the direct responsibility of the Managing Director and the management. However, every director is encouraged to express opinion on business operations to supervise the Company's management and operations efficiently, accurately and transparently.

10. Remuneration for Directors and the Management

The Board has appointed a sub-committee for remuneration which consisted of 4 independent Board members and 1 Executive Director, to be responsible for setting the criteria and the form of payment to directors and top executives and presenting the results to the Board. Whilst the Board approves executives' remuneration, the shareholders approve that of directors. Directors' remuneration is appropriate and high enough to retain and motivate qualified directors but it is not overpaid. It could also be comparable to the industry level in which the Company operates, and reflect experience, obligations, scope of work, accountability and responsibilities, and contributions of each director. Executives' remuneration is in accordance with the

policy of the sub-committee for remuneration. For the best interest of the Company, executive's salary, bonus, and other long-term compensation is correspond to the Company's performance and that of each executive.

The remunerations are disclosed in annual report and Annual Registration Statement (Form 56-1) in accordance with regulations of the Security and Exchange Commission and the Stock Exchange of Thailand. The Company also discloses the remunerations of Directors of its subsidiaries in its annual report and Annual Registration Statement (Form 56-1).

11. Board of Directors' Meetings

The Board of Directors shall hold at least one meeting every three months. A special session of the meeting can be convened when the Chairman deems it necessary. The meetings agenda are set in advance and the relevant documents are circulated as attachments to the invitation letter which clearly state whether the items on the agenda require acknowledgement, approval or consideration. Copies of the agenda are sent to all Directors at least 7 days before the meeting date. This is to allow the directors adequate time to review the agenda items and documents. During the meeting, the Chairman would conduct the meeting in such a way so as to consider every item with enough time for members of the Board to express their opinion.

The Board Minutes are recorded in writing. After the minutes are reviewed and approved by the Board, they are retained for the record and can be reviewed and audited by authorized persons.

In 2006, the Board of Directors held 7 meetings including 4 regular meetings and 3 extraordinary meetings.

The attendance record is as follows:

Name of Director	Period of Directorship	Attendance / Total Meetings		
		Regular	Extra	Total
(1) Mr. Mechai Viravaidya	2004-2007	4/4	3/3	7/7
(2) Mr. Whang Tar Liang	2004-2007	2/4	0/3	2/7
(3) Mr. Songkram Grachangnetara	2006-2009	4/4	2/3	6/7
(4) Mrs. Saruda Changsiricharoen	2005-2008	3/4	3/3	6/7
(5) Mr. Tanatat Puttasuwan	2004-2007	4/4	3/3	7/7
(6) Mr. Whang Shang Ying	2006-2009	4/4	0/3	4/7
(7) Mr. Somchai Chongsawadchai	2005-2008	4/4	3/3	7/7
(8) Mr. Ampol Simarojana	2006-2008	4/4	3/3	7/7
(9) Ms. Anchalee Suebchantasiri	2006-2009	4/4	3/3	7/7

In 2006, non-executive Directors had two separate meetings, on March 22, 2006 and June 21, 2006, without the attendance of the executive Directors. The Company has not obviously determined the maximum number of other companies on the board of which the Chairman, Directors or Managing Director may serve, but has informed the board that SET letter no. Bor.Jor.(Wor) 50/2006 dated September 29, 2006 stated that the Corporate Governance Center of SET has suggested that each director should serve on not more than five (5) boards of listed firms. Whereas the guidelines used in oversea limit the number of board positions in term of director type :

1. An executive director or full-time director may hold up to four board positions.
2. A non-executive director or professional director may hold up to six board positions.
3. The chairperson may hold directorship of only one company.

However, based on the above attendance record, it is assumed that most Directors of the Company could attend the scheduled meetings regularly.

12. Committees

The Board appointed the Audit Committee consisting of 3 Independent Directors. The committee holds its regular meeting at least once every quarter. In 2006, the committee held 4 meetings. The committee is responsible for reviewing the Company's financial reports, the adequacy of the internal control and risk management systems, the compliance with laws and regulations, and proposing the appointment and remuneration of statutory auditors, and other businesses assigned by the board. The committee has the meeting with statutory auditors at least twice a year, and coordinates with the internal auditors of the Company on the audit objectives and plans. The committee also reviews the disclosure of information

when there are connected transactions or conflict of interest items. Since May 2006, the Board authorized the Audit Committee to sign and disclose the interim financial statements, while the annual financial statement would continue to require the Board's approval before disclosure, as currently practiced.

The Board has appointed 2 sub-committees for remuneration and for share allocation which consisted of 4 independent Board members and 1 Executive Director. Roles and responsibilities of the two sub-committees have already been determined. The sub-committee on recruitment has yet to be appointed. In 2006, the sub-committee for remuneration held three meetings.

13. Controlling System and Internal Audit

The Company attaches importance to the internal control system at both the management and the operational levels. The organization chart reflects the internal control mechanism, which identifies clear lines of command and relationships between departments and divisions. The level of authority to make decisions for each position is clearly defined. The deployment of the Company's assets is regulated and monitored for effective use. The responsibilities for operations and evaluation are separate, based on a check-and-balance system. The financial reports are submitted to the management according to the lines of responsibility.

The Board has given approval for the Company to outsource the internal audit function to the office of Dr Virach & Associates (Certified Public Accountants and a listed audit company approved by SET) to monitor and to ensure that the operations and financial activities of the Company are effective and in compliance with established guidelines. The internal auditors also oversee the compliance of business operations with relevant laws and compliance controls. The Board has set up the Internal Audit Division reporting directly to the Audit Committee, which comprises Independent Directors. The report of the Internal Auditors is shown in the Annual Report and Annual Registration Statement (Form 56-1).

To attain its objectives, goals and targets, the Company maintains a risk management policy. The management and all relevant employees are required to analyze potential risks in every business phase and process, assess the effectiveness of the existing control measures, and suggest risk mitigation plans.

14. Directors' Reporting

The Board of Directors is responsible for the Company's and its subsidiaries' financial statements and information as shown in the Annual Report. The financial statements are prepared under generally accepted accounting principles and standards in Thailand and in accordance with an accounting framework and practice which maintain effective and regular monitoring of performance in the preparation of financial reports including sufficient information disclosures. The Board

maintains an internal control system ensuring that accounting records are accurate, complete, and sufficient to safeguard all assets, and to prevent fraud or any significant abnormal operation.

The Board has mandated the Audit Committee to be responsible for the quality of the financial reports and internal control system such that all financial statements are prepared accurately and in compliance with the general acceptable accounting principles standard and transparent disclosure. In 2006, the Audit Committee is of the opinion that the directors and management continue to pursue good business practice in maintaining the objective of the Company, to respect the importance of good internal control system, to manage business risk suitably and to use information system in support of good corporate governance while abiding by the relevant laws and regulation. The Audit Committee is satisfied that the internal audit system is effective in ensuring continuing confidence in the Company and in the financial statements as at December 31, 2006 of the Company and its subsidiaries. The Report of Audit Committee opinion is shown in the Annual Report and the Annual Registration Statement (Form 56-1).

15. Relations with Stakeholders

The Board of Directors attaches importance to the accuracy and adequacy of the financial reports, information and contents of the annual report to the shareholders and other stakeholders, distributed through the Stock Exchange of Thailand. The Company has not established an investor relations section because to date the activities in this area are limited. The Financial Manager and the Assistant to the Managing Director are assigned the responsibility to communicate with individuals and institutional investors, shareholders, analysts and authorities concerned. Investors may request information from the Company by telephone at 02-361 8959/87 or by facsimile at 02-361 8988/9 or email address: secdept@lamsoon.co.th. In 2007, the Company develops its website www.lamsoon.co.th to provide another communication channel for investors.

5. General Information

5.1 Company Profile

Name of Company	: Lam Soon (Thailand) Public Company Limited
No. of Registration	: 0107538000568 (formerly Bor Mor Jor 579)
Head Office Address	: 947/155 Moo 12 Bangna-Trad Road, Bangna, Bangkok 10260 Tel. 02-361 8959/87 Fax. (Management Dept.) 02-361 8988/9 Fax. (Sales Dept.) 02-361 8994/5
Refinery Address	: 236 Moo 4 Bangpoo Industrial Estate, Sukhumvit Road, Phraeksa Sub-District, Muang District, Samut Prakarn 10280 Tel. 02-709 3610/24 Fax. 02-324 0640
Crushing Mill Address	: 99/9 Moo 2, Sikao-Kuankun Road, Kalasae Sub- District, Sikao District, Trang 92150 Tel. 075-267 275, 075-267 268 Fax. 075-267 265, 075-267 028
Nature of Business	: Manufacturer and distributor of vegetable oil products, margarine and shortening
Registered Share Capital	: Baht 820,000,000
Outstanding shares (common shares)	: 820,000,000 shares
Par value	: Baht 1

5.2 Companies in which the Company has investment holding of more than 10%

5.2.1 United Palm Oil Industry Public Company Limited

Bangkok Address : 947/155 Floor 1, Moo 12 Bangna-Trad Road,
Bangna, Bangkok 10260
Tel. 02-744 1046/8
Fax 02-744 1049

Crushing Mill Address : 98 Moo 6, Nuaklong-Khao Phanom Road,
Huayyoong Sub-District, Nuaklong District,
Krabi 81130
Tel. 075-621 919
Fax. 075-621 922

Nature of Business : A plantation company producing crude palm oil
and crude palm kernel oil

Registered Share Capital : Baht 324,050,000
Outstanding shares (common shares): 32,405,000 shares
Shareholding (common shares) : 22,671,511 shares or 69.96%

5.2.2 Universal Food Public Company Limited

Bangkok Address : 947/157 Moo 12 Bangna-Trad Road,
Bangna, Bangkok 10260
Tel. 02-361 8954/7, 02-398 8555
Fax 02-744 0860

Factory Address (1) : 64 K.M. 1, Moo 1, Lampang-Chiang Mai Road,
Pongsangtong, Muang District, Lampang 52000
Tel. 054-225 081/4
Fax. 054-225 085

Factory Address (2) : 469/1 Bhapatone-Banpaew Moo 3, Don-yai-hom,
Muang District, Nakornpratom 73000
Tel. 034-229 397/9
Fax. 034-229 399

Nature of Business : Fruit and vegetable processing; Manufacturer of
fruit juices & drinks, coffee, in can, glass bottle,
and UHT packaging, including sauces and
seasonings for sale in both domestic and export
markets.

Registered Share Capital : Baht 525,000,000
Issued and Paid-up Share Capital : Baht 350,000,000
Outstanding shares (common shares): 35,000,000 shares
Shareholding (common shares) : 33,874,813 shares or 96.79%

5.3 Other references

5.3.1 Register

Name : Thailand Securities Depository Co., Ltd.
Address : 62 Ratchadapisek Road, Klongtoey, Klongtoey,
Bangkok 10110
Tel 02-359 1200/01
Fax 02-359 1259

5.3.2 Auditor

Name : Ms. Thipawan Nananuwat
Certified Public Accountant No. 3459
Address : Ernst & Young Office Limited
33rd Floor, Lake Rajada Office Complex,
193/136-137 Rajadapisek Road,
Klongtoey, Bangkok 10110
G.P.O. Box 1047, Bangkok 10501
Tel 02-264 0777, 02-661 9190
Fax 02-264 0789/90, 02-661 9192
No. of years being the Company's Auditor : 1
Relations or interests with the Company / the Company's subsidiaries /
the management / major shareholders / or any relevant persons of the
aforementioned : --None--

5.3.3 Legal Consultant

Name : Baker & McKenzie Company Limited
Address : 25th Floor, Abdulrahim Place, 990 Rama IV Road,
Bangkok 10500
Tel 02-636 2000
Fax 02-636 2111

6. Nature of Business

Lam Soon (Thailand) Public Company Limited operates a crushing mill and a palm oil refinery. Its refining capacity at 700 tonnes per day or 255,500 tonnes per year is considered the major player in Thailand. Presently, the product line includes:

1. Palm Oil
 - 1.1 RBD Palm Oil
 - 1.2 RBD Palm Olein/Cooking Oil
 - 1.3 RBD Palm Stearin
 - 1.4 Hydrogenated Fat
 - 1.5 Palm Fatty Acid
 - 1.6 RBD Palm Kernel Oil
 2. Coconut Oil
 3. Soybean Oil
 4. Sunflower Seed Oil
 5. Corn Oil
 6. Camellia Oil
 7. Shortening
 8. Margarine
-

6.1 Revenue structure

Product/Services by Group	Operated by	2004		2005		2006	
		Mil. Bht.	%	Mil. Bht.	%	Mil. Bht.	%
Vegetable Oil	LST and UPOIC	3,850	75.67	3,666	71.46	3,734	70.19
Margarine & Shortening	LST	399	7.84	394	7.68	426	8.01
Others	LST and UPOIC	46	0.90	30	0.59	42	0.79
Vegetables and Fruits	LST and UFC ⁽ⁱ⁾	641	12.60	838	16.33	867	16.30
Drinks	LST and UFC ⁽ⁱ⁾	104	2.04	134	2.61	181	3.40
Sauce Seasonings and Others	LST and UFC ⁽ⁱ⁾	48	0.94	68	1.33	70	1.31
Total Sales		5,088	100.00	5,130	100.00	5,320	100.00
Less Goods Returned and Trade Discount		(7)		(16)		(16)	
Total Sales - Net		5,081		5,114		5,304	

Note : ⁽ⁱ⁾ On March 1, 2006, LST was appointed as local distributor for UFC products.

6.2 2006 News Highlights

Finance :

6.2.1 Treasury Stock

By a resolution of the Company's Board of Directors meeting no. 3/2005 held on 4 July 2005, approval was given for the Company to dispose 82 million treasury shares by an offer of sale on the main board of the Stock Exchange of Thailand, from 19 July 2005 to 23 April 2006 inclusive. The Company has finished the project of reselling 82 million treasury stocks on 10 April 2006, and recorded premium on treasury shares amounting to 5.27 million Baht under shareholders' equity.

Corporate Governance :

6.2.2 Remuneration Sub-Committee

In 2006, Remuneration Sub-Committee held three meetings to establish the criteria and the form of payment to directors and top executives.

Production :

6.2.3 margarine and shortening plants

The Company has been approved by the Board of Investment (BOI) to commence the commercial operation of margarine and shortening plants since 4 September 2006, with its capacity at 27,360 tonnes per year. The said project has been automated with advanced equipment to enhance the efficiency and achieve cost saving, and produce high quality of product.

6.2.4 Kosher certification

On 1 May 2006, the Company was certified the standard system of Kosher, which is the food quality standard for the Jewish community.

Marketing :

6.2.5 new products for health conscious consumers

In 2006, the Company was the first player in Thailand to introduce Camellia Oil as new product targeted at health conscious consumers under the brand "Naturel" as the first player in Thailand. In addition, its subsidiary, Universal Food Plc., launched a new range of 100% vegetable and fruit juice under the brand "Chooze". We are encouraged by the positive response of consumers. Furthermore, since 1 March 2006, the Company has been appointed as a local distributor for UFC products, enabling the Company to achieve synergy and to manage selling and administrative expenses more efficiently.

7. Risk Factors

1. Increase of CPO crushing mills during the last 3 years

The last three years have seen a continuous increase in the number of new CPO crushing mills, together with an expansion in the production capacity of existing mills. At present, there are approximately 59 CPO crushing mills, most of which are located in Krabi, Surat Thani and Chumporn provinces. This has resulted in competition in buying FFB and high prices, irrespective of quality. Consequently, prices of raw materials and CPO have increased and the Company is faced with high production cost. The Company has taken steps to mitigate high production cost, including its good management system, quality standard systems and participation in Energy Conservation Project and integration in the palm oil industry.

2. Free Trade Under AFTA

Since January 2003, Thailand has lowered its import tax for palm oil (CPO and refined palm oil) to 5% with no import quota, in accordance with trade liberalization of palm oil under ASEAN Free Trade Association (AFTA). At present, however, the Government has not yet laid down any import regulations. Should there be free import of palm oil, it would affect small growers with low production per rai and crushing mills with low production efficiency and high production cost. The Company will inevitably be affected by importation of refined palm oil competing with its domestic products. Nonetheless, the Company has prepared to respond to this situation by importing crude palm oil (CPO) at prices relatively close to the world market prices. By so doing, the Company will be able to utilise higher production capacity and at the same time lower its average production cost.

3. Fluctuation of Palm Oil Price

The volume of FFB and CPO supplied to the market in 2006 increased sharply by 48.08% and 48.88% from 2005 respectively. The price of CPO in 2006 fluctuated between Baht 14.20 to 18.31 per kilogram. The average price was Baht 15.77 per kilogram, or a 6.63% decrease from 2005. The gap between the lowest and highest CPO prices in each year fluctuates from as low as 4 Baht to as high as 21 Baht (e.g. in 1999, the lowest CPO price was 11.59 Baht per kilogram while the highest was 32.99 Baht), reflecting the volatility of palm oil price. Cautious stock management of raw materials and finished products became crucial. The management has to forecast the price and volume of CPO to be supplied in the market each season. Data on production, export and volume of palm oil inventory in the Kingdom and in foreign countries are closely monitored.

8. Palm Oil Industry and Competitiveness

8.1 Overview

The productivity per unit land area for oil palm is much higher than that for any other major oil crop; which, with its perennial nature and higher yield, leads to comparatively lower production cost. Palm oil therefore has become the lowest-priced source of edible oil in today's consumer market. Palm oil has many beneficial quality characteristics, the range of uses in both food and non-food industry seems set to continue its steady expansion of recent years. As a result palm oil has taken the highest market share at about 70% of total vegetable oil in Thailand, and the present value of the industry is estimated at 50,000 million Baht.

About 95% of oil palm plantations and CPO crushing mills are located in southern Thailand. The largest growing area is in Krabi province and the rest is in Surat Thani, Chumporn, Satoon, and Trang, respectively. The number of CPO crushing mills has increased from 43 in 1999 to 59 in 2007, with current milling capacity of about 12 million tonnes of fresh fruit bunch (FFB) per year. Whereas, the existing 2.8 million Rai of oil palm growing area can produce only about 6 million tonnes FFB per year corresponding to about 50% of milling capacity. Such mismatch in demand and supply causes palm oil market price volatility and ultimately hinders development of palm oil milling industry in Thailand.

Palm oil industry therefore needs to be improved in successive stages starting from selection of planting material, agronomic practice, harvesting technique, FFB quality, milling process, and to develop a variety of value-added palm-based products and utilizations. Palm oil industry also has the potential capability to make use of biomass as energy sources; providing alternative to more expensive petroleum fuel. In order to sustain competitive capability of the business and to successfully develop alternative energy sources, proper procedural measures have to be adopted to achieve efficiency improvement in energy and environment management. In addition, the state government has supported oil palm planting project to produce bio-diesel as a substitute energy source. The project aims to increase oil palm planting by 6 million Rai within 2009 by establishing 5 million Rai of new area and by replanting 1 million Rai of existing oil palm area.

A research paper in 1974 stated that the suitable area for oil palm cultivation lies around latitude 10°N - 10°S. Southern Thailand is in this region, where there are sufficient rains and optimal temperature to grow oil palm. But oil palm planting material has consequently been developed for better survival in drier condition; so that there will be possibility to expand growing area into other regions of Thailand. However, other related factors continue to confine the progress of the Bio-diesel

production development project such as the attractively high market price of crops such as Para rubber; as a result of which, growers have turned to plant Para rubber rather than palm. Moreover, the industry faces the fluctuation of petroleum price in world market, and incoherent action of government supportive processes for example: contract farming condition, special purpose vehicle (SPV) programme, support of oil palm seedlings and cultivation cost, and low interest loan offering – that are also the factors having an influence on oil palm area expansion.

Major palm oil producers are Malaysia, Indonesia, Thailand, and Nigeria which produce 15.9 million tonnes, 14 million tonnes, 1.2 million tonnes, and 780,000 tonnes of palm oil, respectively. Malaysia and Indonesia collectively account for produce more than 90% of total amount produced.

Oil Palm Harvesting Areas In 2006, there is approximate harvesting area of 2.3 million Rai which continues to increase. Around 95% of oil palm growing area is located in Southern Thailand; i.e. Krabi, Surat Thani, and Chumporn. By comparison, Malaysia and Indonesia has 24 and 20 million Rai of oil palm growing area, respectively.

Oil Palm Yield and Productivity Oil palm yield had increased by 48.08% to 6.54 million tonnes in 2006 when compared with that of 2005; the minimum yield was 231,434 tonnes in January and maximum yield was 739,962 tonnes in April. This produced 1,167,126 tonnes of crude palm oil (CPO) in 2006, an increase of 48.88% from 2005. Palm oil stock at end 2006 was 155,587 tonnes (ref: Division of Internal Trade) compared to 103,971 tonnes at end 2005. By these figures, the Kingdom's average oil extraction rate (OER) in 2006 was 17.8%, or the same amount as in 2005. Factors underlining the remarkable increase of CPO production are as follows:

- an increase of harvesting area;
- a proportion of planting that is in high yielding state has increased;
- optimal rainfall and distribution pattern in 2004 and 2006.

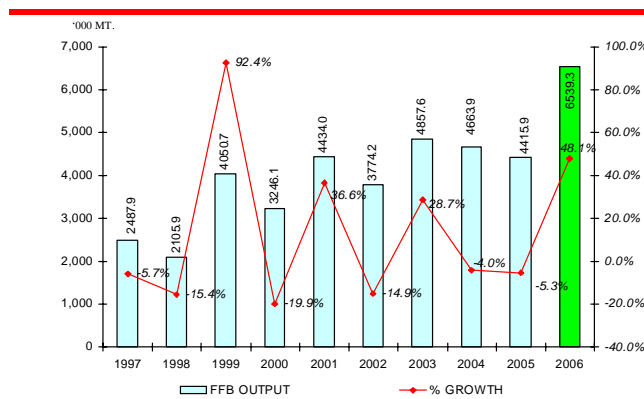
Optimal rainfall and good distribution pattern during the pass 18-24 months would positively affect the quantity of FFB bunches per palm tree while those of current year would affect the quality of palm fruits indicating by high oil extraction rate. As such, optimal rainfall and good distribution pattern in 2004 and 2006 enhanced both the quantity and quality of palm fruit bunches, resulting in the nationwide volume of CPO jumping from 783,953 tonnes in 2005 to 1,167,126 tonnes in 2006.

Palm Oil Price and Market Condition In 2006, CPO price in world market was higher than that in 2005; the 3rd month Bursa Malaysia derivatives in future

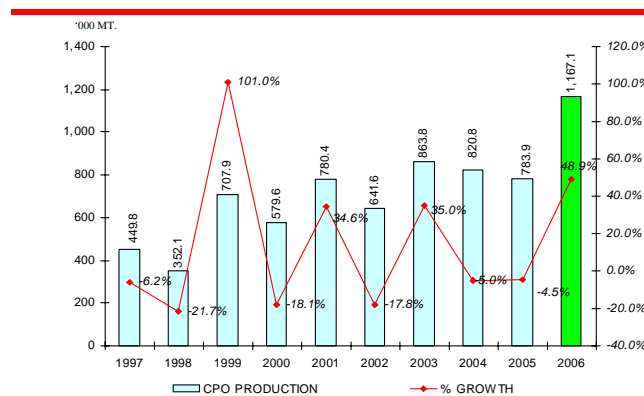
market CPO price ranged from a low of 1,411 Ringgit per ton to a high of 2,032 Ringgit per ton in December, or an average of 1,560 Ringgit per ton, an 11.6% increment compared to 1,398 Ringgit per ton in 2005.

Domestic CPO price, on the other hand, decreased when compared with the world price because domestic production in 2006 increased by 48% from 2005. Figures from the Department of Internal Trade show that in 2006, the domestic price of FFB fluctuated between 2.05 – 3.33 Baht per kilogram (2005: 2.25 – 3.58 Baht per kilogram), and CPO price fluctuated between 14.20 – 18.31 Baht per kilogram (2005: 14.24 – 19.07 Baht per kilogram). The annual average price of FFB and CPO was 2.69 Baht and 15.77 Baht per kilogram respectively (2005: 2.98 Baht and 16.89 Baht per kilogram).

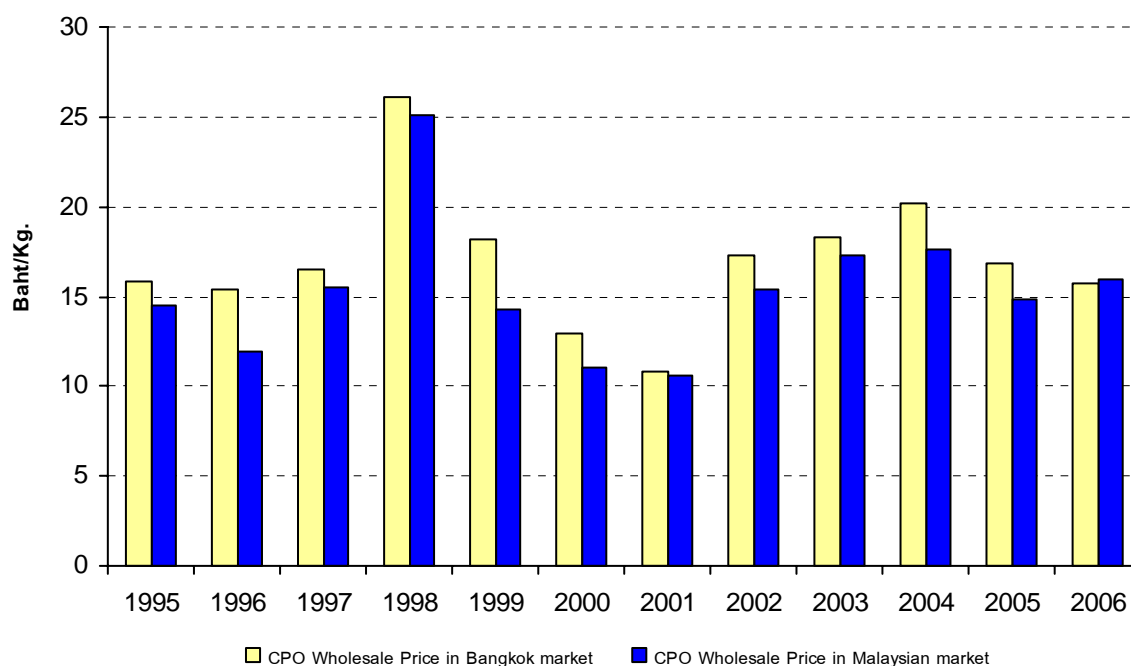
FFB OUTPUT IN THAILAND



CPO PRODUCTION IN THAILAND



Source: Internal Trade Department

COMPARISON OF CPO WHOLESALE PRICE BETWEEN BANGKOK AND MALAYSIAN MARKET

Sources : Agricultural Economic Research ; LST management estimate

8.2 Assessment of Palm Oil Price Condition in 2007

Palm oil price in 2007 depends on the following factors:

Factors tending to lower CPO price or higher FFB yield

- 1) Oil palm planted in 2003 and 2004 can begin to be harvested.
- 2) Oil palm planted in 2000 and 2001 has reached a high productive state and is expected to produce nearly 1.5 times FFB harvested in 2006.

Factors tending to higher CPO price or lower FFB yield

- 1) Low level of rainfall and uneven distribution pattern in 2005, in addition to dry condition expected to commence in first four months of 2007, emphasize poor trend of palm oil production.
- 2) Shortage of labor, especially in tall palm area, is increasingly evident. Laborers have moved to younger area or Para rubber harvesting because of attractive higher earning and avoiding the hardship of working with tall palm. As a consequence, harvesting programme and standard FFB quality cannot be maintained.
- 3) The harvesting area has decreased due to replanting programme.

- 4) Palm oil milling capacity has built up rapidly in recent years, from 43 mills in 1999 to 59 mills currently, and an overall processing capacity of 12 million tonnes of FFB. In contrast, annual total FFB production is only 6 million tonnes. As a result, there is strong competition for FFB purchasing market among the mills and FFB price rose accordingly.
- 5) Bio-Diesel plants which are expected to commercially operate in 2007 will create higher demand in CPO, resulting in the possible increase in FFB price.
- 6) The 3rd month Bursa Malaysia derivatives average CPO price in 2007 is possibly higher than 1,560 Ringit per ton in 2006.

Taking into consideration the abovementioned factors,

- 1) Total FFB production in the Kingdom will decrease from 6.5 million tonnes in 2006 to 6 million tonnes in 2007, or 7% down.
 - 2) There will be more even distribution of FFB throughout the year. The trough is in January that can obtain 7% (about 400,000 tonnes) of total annual production.
 - 3) FFB quality in first four months of the year, especially from palm more than 16 years old, could be poorer than that of the same period in previous year; because heavy rainfall during August and November 2006 had lessened pollination insect (weevil) population. As a consequence, flowers of palm tree may not be fully pollinated and could induce some parthenocarpy – non-seeded fruit about six months latter. Therefore, OER is expected to reach a low of 16% in April, but improving to 18% by last quarter of the year.
 - 4) Due to the greater uniformity of monthly FFB distribution, there is less likely to be overwhelming FFB purchase competition and pricing distortion. Moreover, there will be high possibility that as much as 40% of Malaysian palm oil product could be utilized in producing Bio-diesel and hence drive CPO price above 22 Baht per kilogram, and annual average FFB price is 3.50 Baht per kilogram.
-

8.3 Growth Trends in the Palm Oil Industry

8.3.1 Bio-diesel

The Ministry of Agriculture and Cooperatives's palm oil and oil palm development plan for the years 2004-2029, set a target to increase the planted areas and productive planted areas of oil palm to 10 million Rai and 9 million Rai, respectively, and FFB and CPO outputs to 28 million tonnes and 4.5 million tonnes respectively. The Government later shortened the time to expand oil palm plantation from 2 million Rai at present to 6 million Rai within 2009. This is aimed at supporting the development of a simple processing industry into high value-added process, especially the production of bio-diesel as an alternative energy of the Kingdom in the future.

The Government policy in supporting alternative energy in response to the high price of petroleum fuel has resulted in research and development on sources of alternative energy, in line with the global environment conservation concept that prioritizes bio-products to petrochemical products. Due to limitations on price, production cost and insufficiency of supply for domestic consumption, other vegetable oil is not appropriate for bio-diesel production.

To date, Thailand approximately produces 1,000,000 tonnes of palm oil per year but consumes only 800,000 – 850,000 tonnes per year. This results in over supply of palm oil available for bio-diesel production. Nevertheless, this figure is less than 1 % of diesel usage in the Kingdom. The Ministry of Energy has set the target of 3% of bio-diesel usage in the Kingdom by 2011. In using palm oil for bio-diesel production, the major constraints are volume and price of palm oil. If the high price of CPO persists, production cost of bio-diesel will also be high, and may not be viable as an alternative energy. In terms of volume, the increase in volume of palm oil in the Kingdom may not catch up the demand for bio-diesel.

8.3.2 The industry of oil palm seed and seedling production

The production of quality oil palm seed and its seedling in the upstream industry is the key factor in the efficiency of oil palm production. The use of quality seed will not only yield high output per Rai but also high oil extraction rate (OER), resulting in 40% increase of output compared to unqualified seed. To date, about 400,000 Rai have been planted with unqualified oil palm seed due to insufficient supply of quality seed and seedling in Thailand. Recently, with FFB price at a high level and the Government support of the expansion of planted areas, growers in many areas

including the North Eastern parts have become interested in growing oil palm. This could lead to a shortage of quality oil palm seed. The private sector therefore has started producing oil palm seed and seedling for resale to meet demand of growers.

8.3.3 Utilization of waste and by-product from crushing mill

By-product and scrap from mill process comprise more than 60% of input materials. Palm oil extraction process consumes a lot of water and produces waste water with high organic elements contamination. Other solid by-products are empty fruit bunch, fruit fiber, fruit shell, and decanter cake which are biomass – an important energy source. Utilization of these by-product and waste not only cut disposal expenses but reduce environmental pollution. Therefore, state organization has provided financial support and technical advice, in order to make use of biomass as current source of electric and produce biogas from factory waste water. The factory uses electricity from biomass either as its own energy source or to sell to regional electricity organization. Biogas and biomass electric-powered system, which have been implemented in some factories, will expand in the near future.

At present, there is an effort to solve the problem of green house effect and emission of green house gas which is a cause of the world climate change. Although Thailand is not under any commitment to do reduce its cabondioxide emission, it is one of the countries with which industrial countries intend to cooperate to undertake green house gas emission reduction project. They aim to share carbon credit under the Clean Development Mechanism (CDM) which is known as the Certified Emissions Reduction (CER : 1 CER = 1 ton CO₂ equivalent reduction). At present, a number of crushing mills are attracted to join this project by using their residual waste materials from production as bio-fuel for steam boiler in the crushing mill as a substitute for petroleum fuel.

8.3.4 The diversification of palm oil industry

Oil palm is a crucial economic crop. As such it needs to be supported by an integrated and comprehensive R&D starting from planting, harvesting, quality maintenance, oil extracting, the usage of oil palm in related industry, such as the oleochemical industry which is in demand of the world market, and the usage of residual waste of oil palm in the form of fiber and empty fruit bunch and shell for bio fuel source. Moreover, this industry may be further diversified by bio-refinery hi-tech process for the production of paper pulp, wood pulp and other supporting industries that will arise subsequently.

8.4 Competition

Thailand currently faces a shortage of FFB, with its 59 crushing mills having average 50% utilization rate of production capacity. Because of the short supply and the intense competition in buying FFB, the quality of raw materials is sometimes over-looked. It raises the question of the limits of the development of palm oil and its diversification into advance processed industry, which require huge investment budget for economy of scale production. There is at present a slight over supply of palm oil after basic consumption in the country. It may need more time for the market to reach an equilibrium before it is ready to further develop to the biochemical industry and its derivatives or bio-diesel industry.

Another uncontrollable factor, namely weather condition, has direct impact on volume of FFB to be supplied to the market in every season. In the past, competition to buy raw materials for refined palm oil production depended mainly on price, i.e. purchasing price of raw materials and selling price of finished products. While raw material price fluctuates, price of finished product is dependent on pricing of competitors. External factors such as world market price, and the price of other substitutable vegetable oils also play important roles in determining domestic price.

Since 1 January 2003, the import tax of palm oil under AFTA has been lowered to 5%. However, such import is only allowed under supervision by Public Warehouse Organization, which has not given any clear directions as regards implementation. In the event of FFB shortage, especially if the production of bio-diesel is given strong support as an alternative energy of the Kingdom in the future, the Government might finally allow import of palm oil under AFTA. Free trade under AFTA may be the comprehensive effective solution allowing free market mechanism to allocate resources resulting in the increase of production efficiency while lowering production cost. In such a

scenerio, the price competition could be less severe and could be replaced by competition in other aspects such as product differentiation so as to add value to products for the consumers.

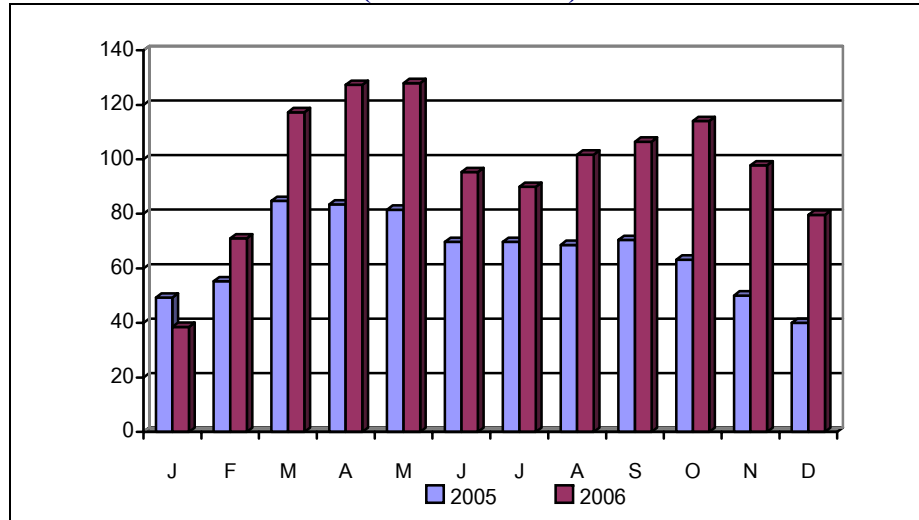
However, there are many problems in Thailand which limit the competition capability against other palm oil producing countries. Principally, there are as follows:

1. Most of oil palm planting is small holding areas that are incapable of management practice. As a result, harvesting yield is low and production cost is relatively high.
 2. The location of crushing mills does not correspond with optimal coverage palm oil area and strive for FFB purchase, thus driving up transport cost and FFB price.
 3. State policies are inconsistent i.e. oil palm area expansion program, milling capacity demand in relation to FFB supply, palm oil import/export, FFB and related commodity price, alternative energy source, etc.
-

PERFORMANCE OF CRUDE PALM OIL IN THAILAND 2006 (Source : Department of Internal Trade)

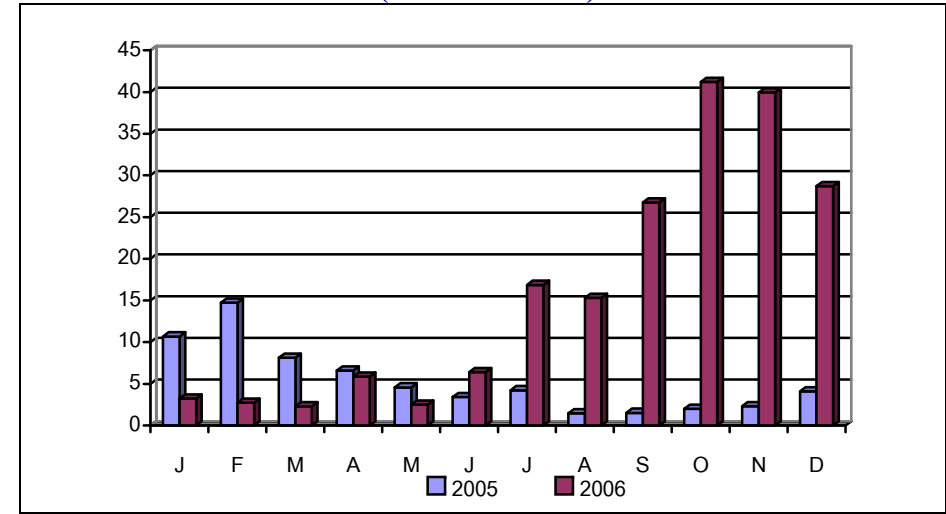
PRODUCTION OF CRUDE PALM OIL

(‘000 TONNES)



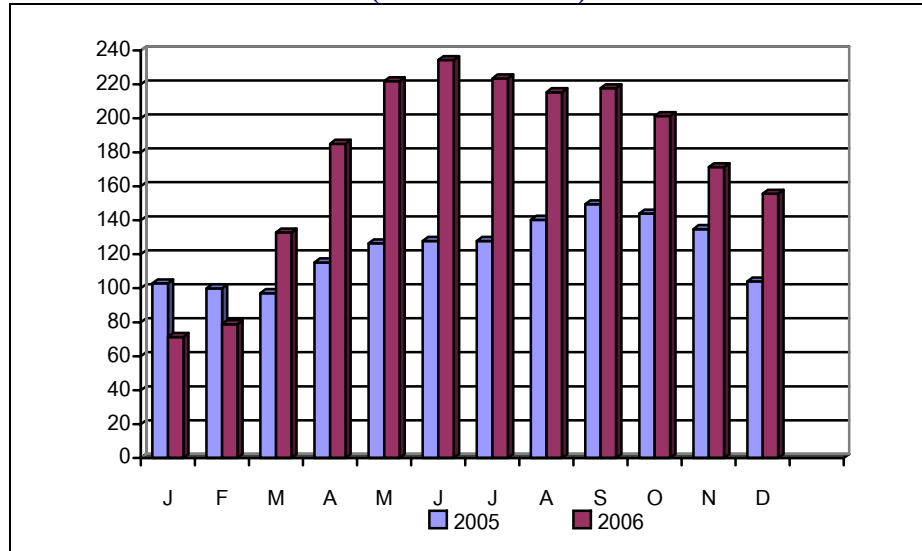
EXPORT OF PALM OIL

(‘000 TONNES)



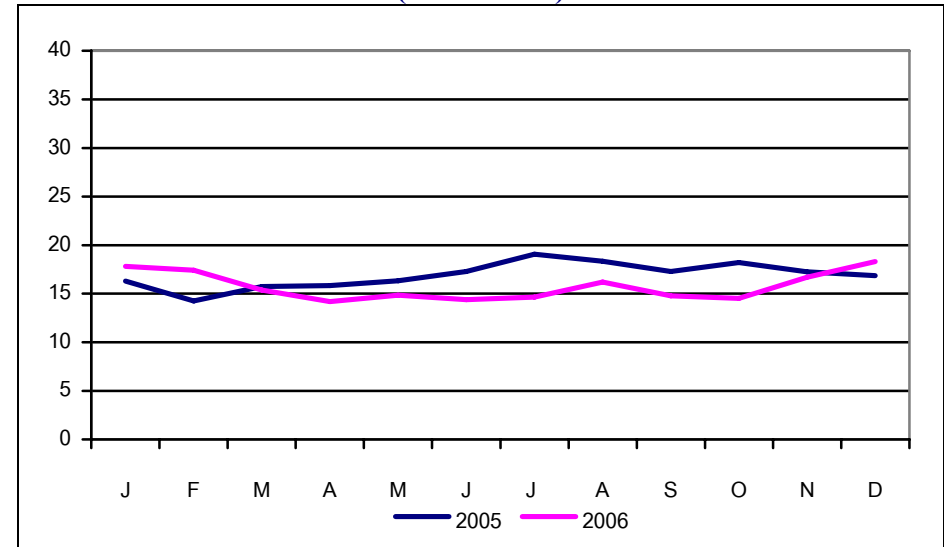
CLOSING STOCK OF PALM OIL

(‘000 TONNES)



LOCAL DELIVERED CRUDE PALM OIL PRICE

(BAHT/KG)



9. Management Discussion and Analysis

9.1 Financial performance analysis and explanation

9.1.1 Operating results

Thanks to supportive rainfall in 2004, oil palm yield increased by 48.08% to 6.54 million tonnes in 2006 compared with that of 2005. 1,167,126 tonnes of crude palm oil (CPO) was produced in 2006, an increase of 48.88% from 2005. Thus, when compared with sales, cost of sales of the Company and its subsidiary reduced from 87.35% in 2005 to 81.98%, a 2.67% decrease, whereas sales value increased by 3.70%.

For the Company itself, the decrease in CPO price also had an effect on an average selling price of the Company, which decreased by 8.47%. Sales volume, on the other hand, increased by 10.10%. Gross margin accordingly increased from 7.39% in 2005 to 12.37% in 2006.

With the lower average market price of FFB decreased in 2006, its plantation subsidiary thus could increase both its purchase of FFB from outgrowers and its own crop. FFB processed in 2006 was consequently 85.91% higher than in 2005, while cost of sales declined from 70.01% in 2005 to 65.73% in 2006.

Due to the above-mentioned factors, the Group recorded net profit at 228.93 million Baht, increasing from 2005 by 175.05 million Baht or 324.89%. Net profit margin in 2006 was at 4.32%, compared with 1.05% from 2005.

Other major components and changes in consolidated financial statements are as follows:-

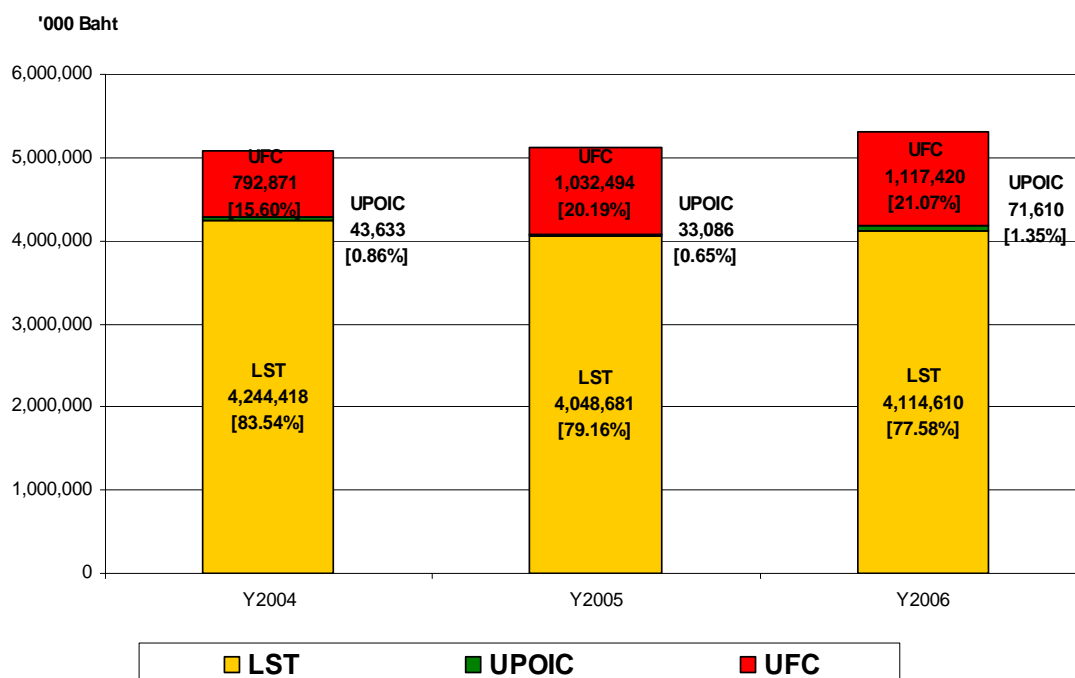
Revenues

Revenue from sales:

	2004	2005	(Mil.Bht.) 2006	(%) Segment
LST	4,244.42	4,048.68	4,114.61	77.58
UPOIC	43.63	33.09	71.61	1.35
UFC	<u>792.87</u>	<u>1,032.49</u>	<u>1,117.42</u>	<u>21.07</u>
Total	<u>5,080.92</u>	<u>5,114.26</u>	<u>5,303.64</u>	<u>100.00</u>

3-year sales and its contribution from the Company and subsidiaries could be presented by the following graphs:-

Sales Contribution of Lam Soon Group



Net Sales under LST and its subsidiaries increased by 189.38 million Baht or 3.70%. At company level, LST registered sales of 65.93 million Baht, deriving from sales volume increasing by 10.10% whereas the average selling price decreasing by 8.47%. At its subsidiaries, net sales increased by 123.45 million Baht, comprising :-

- 38.52 million Baht (or 116.41%) at UPOIC : Thanks to sales volume of CPO increasing by 69.8%, CPO sales value accounting for 86.5% of total sales increased by 66.5% from 2005.

- 84.93 million Baht (or 8.23%) at UFC : Owing to the sales volume of fruit juice and coffee increasing by 37.52%, domestic sales value was up 21.23%, while export sales increased only 1.95%. Moreover, profitability was badly affected by the strength of Baht currency over 2005. The subsidiary of UFC, which derives 92% of total sales from export, was likewise adversely affected.

Other revenues: - Revenues other than those generated by normal operation comprised 0.80% of total revenues. This represented an increase of the Company at 16.17 million Baht deriving from

contractor defaulting on contract of machinery installation, selling palm shell and other materials which were not the normal operation.

- 28.02 million Baht represented reversal of provision for diminution in value of stock at its subsidiary due to the inventory value being lower than market price.

- The subsidiary recorded higher interest income 4.31 million Baht.

- In 2006 the subsidiary had no gain on fixed assets disposal so such item decreased by 1.96 million Baht from 2005.

Cost of sales and expenses

Cost of sales: In 2006 the Group recorded cost of sales at 81.98% of total sales (2005 : 87.35%). As nationwide oil palm yield had increased by 48.08% compared with 2005, cost of major raw material dropped which was attributable to the Company at 10.45% and the subsidiary at 11.06%.

Selling and administrative expenses (S&A) : S&A expenses in 2006 was 597.86 million Baht (2005: 512.91 million Baht), increasing by 84.95 million Baht or 16.56%. Most of the increase came from the Company itself amounting 109.36 million Baht or accounting 43.57%, because in March 2006 the Company had been appointed as the domestic sales distributor of UFC products. Such arrangement led to selling expenses, A&P expenses, and transportation cost increasing to 44.3 million Baht, while expenses concerning employees increased 47.2 million Baht.

Interest expense: Interest expense in 2006 increased by 11.99 million Baht or 22.62% from the previous year to 64.98 million Baht. Of the increased amount attributed, 6.75 million Baht is to LST, and the 5.24 million Baht to its subsidiary. This was due to the increase of interest rate in 2006 compared with 2005.

Profits

Gross profit (GP) : GP margin of the Group increased to 18.02% in 2006 (2005 : 12.65%).

Operating profit: Improved GP margin combined with an increase of revenues contributed to operating profit increasing by 253.35 million Baht or 161.29% compared with 2005. Operating profit margin increased to 7.74% in 2006 (2005 : 3.07%).

Net profit: For reasons explained above, the Group recorded the increase in net profit of 175.05 million Baht or 324.89%. Net profit margin increased to 4.32% in 2006 (2005 : 1.05%).

Dividend payout ratio: In 2006 LST itself paid dividend for the financial year 2005 at the rate of 0.03 Baht per share representing a payout ratio of 42.85% of net profit (2005: 0.075 Baht per share, representing a payout ratio of 41.67% of net profit). It has been the Company's policy to pay dividends to shareholders not less than 40% of net earnings after tax. The Company did not pay any interim dividend in 2006.

In 2006 its subsidiary paid dividend for the financial year 2005 at the rate of Baht 1.0 per share represented a payout ratio of 85.47% of net profit (2005: 3.0 Baht per share, representing a payout ratio of 69.77% of net profit of 2004), exceeding the dividend payment policy at 50% of net profit after tax. In addition, its subsidiary paid an interim dividend based on the first half of the financial year 2006 at the rate of Baht 1.0 per share.

Book value (weighted average): As at December 31, 2006, the book value per share of LST was 2.00 Baht (weighted average number of shares at 816.65 million shares), an increase compared to 1.85 Baht in 2005 (weighted average number of shares at 757.59 million shares) owing to the increase in net profit. In addition, the Company resold entire treasury stocks in 2006, which increased the weighted average number of shares in 2006 when compared with 2005.

9.1.2 Financial status

Assets: At the end of 2006, the asset value of the Group was 3,567.12 million Baht, an increase of 232.44 million Baht or 6.97% compared with 2005. The major reasons are as follows:-

- **Cash in hand and at banks:** was 195.38 million Baht at the end of 2006, decreasing 73.17 million Baht or 27.25% from 2005. This was mainly attributable to its subsidiaries whose cash reduced by 101.90 million Baht, out of which 83.21 million Baht was invested in long-term financial instrument to gain higher interest rate.
- **Current investments/fixed deposits:** increased by Baht 83.21 million Baht, being the amount invested in financial instrument mentioned above.

- **Trade accounts receivable (A/R):** of 586.45 million Baht was recorded by the Group as at the end of 2006 (after an allowance for doubtful debt), accounting for 16.44% of total asset, (2005: 550.80 million Baht, accounting for 16.52% of total assets). These ratios remained constant as the credit policy applied to customers had not been changed.

At the Company level, net trade A/R (after an allowance for doubtful debt) was 540.43 million Baht, accounting for 20.28% of total asset (2005: 404.85 million Baht, accounting for 17.31% of total assets). Such increase of 33.49% was because since 1 March 2006, the Company started distributing UFC products domestically, for which payment term of modern trade was longer than that of the Company itself.

However, postdated cheques and trade A/R (up to 3 months) accounted for 99.28% of net trade A/R of 2006. For A/R aging more than 12 months and returned cheques, the Company already set the allowance for doubtful accounts as high as 96.65%.

- **Inventory:** was worth 851.15 million Baht as at the end of 2006, or 23.86% of total assets, increasing 30.18 million Baht when compared with 820.97 million Baht, or 24.62% of total assets in 2005. This was due to CPO supply in the market during the year end of 2006 being more abundant when compared with the year end of 2005.

Inventory of subsidiaries decreased by 48.81 million Baht, due to the shortage of raw material as a result of flooding during the last quarter of 2006. In 2006 the Group set provision for stock obsolescence and diminution in value of stock at 26.52 million Baht.

- **Other current assets:** in the Group as at the end of 2006 increased by 6.22 million Baht from 2005. Such increase was mainly derived from subsidiaries such as

- withholding tax 0.74 million Baht,
- VAT 0.24 million Baht,
- receivable from sales of seed 0.59 million Baht,
- deposit of 2.27 million Baht, and
- advance payment of 2.88 million Baht.

- **Land, buildings, machinery and equipment:** As at the end of 2006, net value of fixed assets increased by 138.62 million Baht or 10.69% from 2005, mainly due to the investment in machinery and equipment of BOI expansion projects, and replanting programme.

9.1.3 Source of Fund

Structure of Fund: Under the consolidated financial statements, source of fund comprised 1,615.40 million Baht of liabilities and

1,951.71 million Baht from shareholders' equity, in the ratio of 45.3 : 54.7 respectively. Of the said amount of liabilities, bank loans amounted to 1,108.74 million Baht or 68.64% of total liabilities, comprising short-term loan at 851.57 million Baht (52.72%) and long-term loan at 257.17 million Baht (15.92%). The ratio of debt to equity was 0.83 times at the end of 2006. Further details are set out below:-

- **Shareholders' equity:** increased by 223.43 million Baht or 12.93% at the end of 2006. This was because of net profit of the Company and its subsidiaries.

- **Liabilities:** At the end of 2006, the Group had

(a) short-term bank loan of 851.57 million Baht of which:-

- i. 280.9 million Baht was extended to a subsidiary guaranteed by the Company;
- ii. 515 million Baht was extended to the Company and 55.67 million Baht to a subsidiary which was unsecured but subject to a negative pledge.

(b) Long-term liabilities amounted to 257.17 million Baht of which:-

- i. loan of 95.22 million Baht was extended to subsidiary secured by its own land, building and machinery as collateral and without any covenant. The loan, which is denominated in Thai Baht, is due in 2009. Monthly loan installment includes repayment of both principal and interest expense at the rate of MLR.
- ii. loan of 92.30 million Baht was extended to subsidiary guaranteed by the Company subject to certain covenants including restriction on the subsidiary's dividend payment. This loan, which is denominated in Thai Baht, is due in 2010. Principal repayment is due every 3 months including interest expense at the rate of THBFIX plus a fixed rate.
- iii. loan of 69.65 million Baht was extended to the Company which is denominated in Thai Baht at the interest rate of THBFIX plus a fixed rate and with no collateral but negative pledge. Principal repayment is due every 6 months. This loan is due in 2010.

Financial liquidity

In 2006, the Group had less financial liquidity than 2005 as cash on hand and cash equivalents decreased by 73.17 million Baht to 195.37 million Baht in 2006 (2005 : 268.54 million Baht). The main factors for changes in cash flow from operating, investing, and financing activities were as follows:-

Cashflows from operations: In 2006, although the Group enjoyed an increase in income from operations before changes in operating assets and liabilities at 165.84 million Baht, conversely net cash from operations decreased by 186.95 million Baht. This was because in 2005, there was an increase in the cost of FFB and CPO, major raw material of the Group. Consequently, inventories in 2005 dropped by 387.89 million Baht, and trade accounts payable-unrelated parties decreased by 36.36 million Baht, while payable of 2006 increased by 34.08 million Baht.

Furthermore, sales revenue in 2005 also decreased and trade accounts receivable-unrelated parties in 2005 decreased by 33 million Baht, while receivable of 2006 increased by 37.55 million Baht.

Cashflows from investing activities: increased by 280.62 million Baht in 2006 or 225.61% from 2005. This was mainly because in 2006 subsidiaries purchased equipment and machinery for BOI project expansion amounting to 141.14 million Baht. The Company also used cash amounting to 47.68 million Baht to additionally purchase common shares in subsidiary. Furthermore, a subsidiary allocated cash to invest in longer term financial instrument.

Cashflows from financing activities: of the Group decreased by 320.06 million Baht in 2006. The main reasons were as follows:-

- The Group made re-payment on long term loans which decreased by 143.85 million Baht; in 2005 the Company prepaid the loan amounting to 151.55 million Baht while no such prepayment in 2006.
- Dividend paid by the Group increasing by 21.33 million Baht in 2006 because subsidiary paid interim dividend amounting to 32.41 million Baht while no such interim dividend was paid in 2005. In addition, in 2006 the Group paid less dividend for the operating year 2005 compared to 2005.
- Cash received by the Company from resale of treasury shares decreased by 85.72 million Baht : during 2006, the Company resold treasury shares amounting to 17.10 million shares compared with 64.9 million shares in 2005.

Financial ratios

Current Ratio: The Group maintained its current ratio at 1.2 times, the same as in 2005.

Quick Ratio: Quick ratio of the Group maintained at 0.59 times, the same as in 2005.

Return on total assets: Return on total assets of the Group increased to 6.63% in 2006 (2005 : 1.53%). This was because net profit increased by 324.89%, whereas total assets increased by only 6.97%. The higher volume of FFB processed in 2006, the crushing mill achieved greater efficiency and positively affected profitability.

Return on total equity: The Group had increasing return on total equity from 3.27% in 2005 to 12.44% in 2006. This was because net profit increasing in percentage larger than that of shareholders' equity.

Total debt to equity ratio: The Group had decreasing ratio from 0.93 times in 2005 to 0.83 times in 2006 due to repayment on both short term and long term loan during the year 2006.

Accounts receivable turnover: In 2006, the Group's turnover ratio increased slightly to 8.72 times (2005 : 8 times). The average collection period was shortened from 43 days in 2005 to about 41 days.

Inventory turnover: In 2006, the Group recorded an inventory turnover (finished goods only) of 10.93 times (2005 : 8.16 times); as a result the inventory turnover period decreased to 33 days (2005 : 44 days). This was because the inventory at the end of 2005 was at very low level, while cost of sales also was high when compared with 2006.

Accounts payable turnover: In 2006, the Group had accounts payable turnover of 23.90 times (2005 : 23.95 times); average payment period was unchanged at 15 days.

9.1.4 Capital Expenditure

In 2006, the Group invested to improve and to expand the production capacity of various plants namely:-

- oil palm seed propagation project of subsidiary at Krabi.
- production expansion project of crude palm oil (CPO) at its crushing mills in Trang and Krabi.

All the above mentioned projects have been approved by Board of Investment (BOI) for investment privilege under the Investment Promotion Act.

Capital Expenditure Plans

In 2007, the Group is planning to apply empty fruit bunch (EFB) treatment system into the production process by extracting CPO from EFB to help reducing oil loss. Moreover, EFB after treatment can be used as bio-fuel for the steam boiler to generate electricity utilized within the mill. In another project, the subsidiary company is planning to implement the electricity generation project by using biomass or waste from production as fuel. This activity conforms to the Clean Development Mechanism (CDM) project as renewable energy. The generated electricity would be sold through Provincial Electricity Authority (PEA) line connected to the national grid.

Moreover, the Group is planning to improve production efficiency of its crushing mills at Trang and Krabi by improving design and layout of its machinery and factory to synchronize the production process and achieve greater its production efficiency.

The Company and subsidiary expect both projects would be completed in 2007.

9.2 Factors which might affect financial performance in the future

Because the major raw material of the Group's production comes from agricultural product, future financial performance of the Group is to a large extent dependent on the cost of such product. This is in turn subject to uncontrollable factors such as weather condition, rainfall level, and the quantity of FFB harvested in each season. In particular, the quantity and the price of CPO have a material impact on cost of goods and hence gross margin. The price of CPO is further affected by the fluctuation of world market price. Management expertise and any source of information to forecast CPO price more accurately can help to manage inventory cost according to the fluctuation cost of raw material. Given severe competition in palm oil industry and regulatory control by the Internal Trade Department on price of vegetable oil below 5liters, the Company may not be able to adjust the product price according to the fluctuation in raw material cost.

Moreover, trade liberalization of palm oil under AFTA is expected to materially affect the future of the palm oil industry. Oil Palm growers in Thailand who are presently not in a position to compete with the cost of Malaysia continue to be protected. This results in higher raw material cost of refineries compared to those of Malaysia while Thailand has lowered its import tax for palm oil (CPO and refined palm oil) to 5% with no import quota since January 1, 2003. In accordance with trade liberalization of palm oil under AFTA, the Government still does not have clear direction on its implementation.

The Government's policies regarding palm oil import and export and the development of palm oil for the production of bio-diesel as an alternative energy source of the Kingdom in the future are expected to play a significant role in determining the future of Thai palm oil industry.

9.3 Remuneration of statutory auditor

1) Audit Fee

The Company and its subsidiaries paid audit fee to statutory auditor as follows:-

	2005	2006
- for the Company	1,255,000 Baht	1,335,000 Baht
- for 2 subsidiaries	1,472,500 Baht	1,538,000 Baht

2) Non-Audit Fee

The Company and its subsidiary paid a fee to statutory auditor for verifying BOI project for corporate income tax submission relating to 2006 amounting to 110,000 Baht for the Company and 70,000 Baht for its subsidiary.

10. Shareholders and Management

10.1 Shareholders

As at 7 July 2006, the top ten shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
1. Lam Soon Holding Co., Ltd. ⁽ⁱ⁾	40.14
2. Hap Seng Consolidated Berhad ⁽ⁱⁱ⁾	19.21
3. CIMB-GK Securities Pte Ltd	12.30
4. Lam Soon Cannery Pte Ltd. ⁽ⁱⁱⁱ⁾	7.48
5. Mr. Somchai Chongsawadchai	1.56
6. Thai NVDR Co., Ltd.	1.25
7. DBS Vickers Securities (Singapore) Pte Ltd	0.92
8. HSBC Private Bank (Suisse) SA	0.64
9. Mr. Suraphan Pattanapitoon	0.54
10. Mr. Thep Rungthanapirom	0.48

Source : Thailand Securities Depository Co., Ltd.

Note :

- (i) Lam Soon Holding Co., Ltd. is an investment holding company. As at 31 December 2006, shareholders holding 10% or more of Lam Soon Holding Co., Ltd. are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
1. Bangkok Edible Oil Co., Ltd.	50.71
(Major shareholders include Galatea Enterprise 75.324% whose shareholders are as follows :	
Mr. Whang Tar Liang and his wife	50.70%,
Mr. Whang Shang Ying	34.47%,
Ms. Whang Yee Ling	14.83%.)
2. Mr. Whang Tar Liang	24.50
(owns 0.34% shares in LST)	
3. Mr. Whang Shang Ying	24.50
(owns no shares in LST)	

- (ii) Hap Seng Consolidated Berhad is an investment holding company and carries out marketing and trading activities for certain of its subsidiaries, which has been listed on the Malaysia Stock Exchange namely Bursa Securities Malaysia Berhad. Its major shareholder is Gek pho (Holdings) Sdn Bhd holding 54.84%.

- (iii) Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2006, its shareholders are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
1. Galatea Sdn Bhd.	38.90
2. Whang Shang Ying	29.18
3. Whang Yee Ling	27.20
4. Chen Mu Hsien	<u>4.72</u>
Total	100.00

Note : Galatea Sdn Bhd. is owned by Mr. Whang Tar Liang and his wife 54.38%, Mr. Whang Shang Ying 30.78%, Ms. Whang Yee Ling 13.24%, and Lam Soon Properties Sdn. Bhd. 1.60%.

10.2 Board of Directors and Management Committee

10.2.1 The Composition of Board of Directors and Sub-Committees

- Board of Directors

(1) Mr. Mechai Viravaidya	Chairman of Board of Directors and Independent Director
(2) Mr. Whang Tar Liang	Deputy Chairman and Executive Director
(3) Mr. Songkram Grachangnetara	Chairman of Audit Committee and Independent Director
(4) Mrs. Saruda Changsiricharoen	Independent Director and Member of Audit Committee
(5) Mr. Tanatat Puttasuwan	Independent Director and Member of Audit Committee
(6) Mr. Whang Shang Ying	Executive Director
(7) Mr. Somchai Chongsawadchai	Managing Director
(8) Ms. Anchalee Suebchantasiri	Executive Director
(9) Mr. Ampol Simarojana	Executive Director

- Audit Committee

(1) Mr. Songkram Grachangnetara	Chairman of Audit Committee and Independent Director
(2) Mrs. Saruda Changsiricharoen	Independent Director and Member of Audit Committee
(3) Mr. Tanatat Puttasuwan	Independent Director and Member of Audit Committee
(4) Ms. Anchalee Suebchantasiri	Secretary to Audit Committee

- Remuneration Sub-Committee

(1) Mr. Mechai Viravaidya	Independent Director
(2) Mr. Songkram Grachangnetara	Independent Director
(3) Mrs. Saruda Changsiricharoen	Independent Director
(4) Mr. Tanatat Puttasuwan	Independent Director
(5) Mr. Whang Shang Ying	Executive Director

- Share Allocation Sub-Committee

(1) Mr. Mechai Viravaidya	Independent Director
(2) Mr. Songkram Grachangnetara	Independent Director
(3) Mrs. Saruda Changsiricharoen	Independent Director
(4) Mr. Tanatat Puttasuwan	Independent Director
(5) Mr. Whang Shang Ying	Executive Director

10.2.2 Criteria on recruiting Directors and management

Since the Company does not have a recruitment committee, the Board of Directors assigns each Director to seek appropriate persons to be proposed as Directors and management. The qualification of such persons must conform to SEC regulations, and they must be knowledgeable and possess the relevant experience beneficial to the Company.

In accordance with the Company's Articles of Association, the Company has not determined the number of directors appointed by each group of major shareholders. Directors are elected based on majority voting of attending shareholders.

10.2.3 The Number of Board Meetings and the Attendance of Directors

In 2006, the Board of Directors held 7 meetings, with attendance shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Mechai Viravaidya	7/7
(2) Mr. Whang Tar Liang	2/7
(3) Mr. Songkram Grachangnetara	6/7
(4) Mrs. Saruda Changsiricharoen	6/7
(5) Mr. Tanatat Puttasuwan	7/7
(6) Mr. Whang Shang Ying	4/7
(7) Mr. Somchai Chongsawadchai	7/7
(8) Mr. Ampol Simarojana	7/7
(9) Ms. Anchalee Suebchantasiri	7/7

10.2.4 Names and Position of the Management

Name	Position
(1) Mr. Whang Tar Liang	Executive Director
(2) Mr. Whang Shang Ying	Executive Director
(3) Mr. Somchai Chongsawadchai	Managing Director
(4) Ms. Anchalee Suebchantasiri	Director and Finance Manager
(5) Mr. Ampol Simarojana	Director and Factory Manager
(6) Mr. Nipol Punyawiwat	Sales Manager
(7) Mrs. Roongnapa Phanomchoeng	Industrial Sales Manager

10.2.5 Details of Executive Board and Company Executives

- (1) Name : **Mr. Mechai Viravaidya**
 Position : Chairman of Directors and Independent Director
 Age : 66
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 2 companies
 - Director : 0 company
 Family relation with management : None
 Education : Bachelor of Commerce, Melbourne University, Australia

Experience:

- Chairman of Board of Directors and Independent Director of Lam Soon (Thailand) Plc.
- Chairman of Board of Directors and Independent Director of Universal Food Plc.
- Chairman of Board of Directors and Independent Director of United Palm Oil Industry Plc.
- Founder and Chairman of Population and Community Development Association (PDA)
 - Senator, Thai Parliament
 - Chairman, Krung Thai Bank (Public Company Limited)
 - Chairman, Telephone Organization of Thailand
 - Minister to the Prime Minister's Office
 - Cabinet Spokesman
 - Governor, Provincial Waterworks Authority of Thailand
 - Deputy Minister of Industry

- (2) Name : **Mr. Whang Tar Liang**
 Position : Deputy Chairman and Executive Director
 Age : 80
 % of share holding : 0.34%
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Family relation with management : Mr. Whang Shang Ying's father
 Education : Bachelor of Science Degree, University of California at Berkeley, U.S.A.

Experience:

- Deputy Chairman, Lam Soon (Thailand) Plc.
- Executive Director, Lam Soon (Thailand) Plc.
- Director, United Palm Oil Industry Plc.
- Director, Lam Soon Holding Co., Ltd.
- Group Managing Director of The Lam Soon Group for Singapore, Malaysia and Thailand
 - Independent Director of G.K. Goh Holdings Limited, a public listed company in Singapore
 - Chairman/Deputy Chairman, Singapore Manufacturers' Association
 - Deputy Chairman, The Public Service Commission of Singapore

Note : ● present experience ○ past experience

Executive Program in Management/
The Netherlands
Certificate of Completion DCP 3/2000 from
Thai Institute of Directors (IOD)

Experience:

- Independent Director and Member of Audit Committee, Lam Soon (Thailand) Plc.
- Chairman of Audit Committee and Independent Director, Universal Food Plc.
- Director of Finance and Accounting, Bureau Population and Community Development Association
- Licensed Auditor
- Director, Ban Phai Union Garment Co., Ltd.
- Auditor, Navatham Law and Accounting Office
- Accountant, Thada Visva Co., Ltd.

(5) Name : **Mr. Tanatat Puttasuwan**
 Position : Independent Director and
 Member of Audit Committee
 Age : 46
 % of share holding : None
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 1 company
 Family relation with management : None
 Education : Ph.D. Economics (Financial Economics),
 University of Southern California, U.S.A.
 Certificate of Completion DCP 1/2000 from
 Thai Institute of Directors (IOD)

Experience:

- Independent Director and Member of Audit Committee, Lam Soon (Thailand) Plc.
- Senior Private Sector Development Specialist, World Bank, Bangkok
- Assistant Secretary to the Board of Directors, Krung Thai Bank Plc.
- Manager, Investor Relations, Krung Thai Bank Plc.

(6) Name : **Mr. Whang Shang Ying**
 Position : Executive Director
 Age : 46
 % of share holding : None

Note : ● present experience ○ past experience

The number of directorships in listed companies

- Chairman : 0 company
- Director : 2 companies

Family relation with management : Mr. Whang Tar Liang's son

Education : Bachelor of Arts (Hons.) in Law,
Oxford University, United Kingdom

Experience:

- Executive Director, Lam Soon (Thailand) Plc.
- Director, Bangkok Edible Oil Co., Ltd.
- Director, United Palm Oil Industry Plc.
- Director, Universal Food Plc.
- Chairman of Board of Directors, Union Frost Co., Ltd.
- Executive Director, Lam Soon (M) Berhad
- Executive Director, Lam Soon Singapore Pte Ltd.
- Independent Director, Jurong Cement Limited, a public listed company in Singapore

(7) Name : **Mr. Somchai Chongsawadchai**

Position : Managing Director

Age : 49

% of share holding : 1.98%

The number of directorships in listed companies

- Chairman : 0 company
- Director : 2 companies

Family relation with management : None

Education : Bachelor's degree in Accountancy,
Chulalongkorn University;
Certificate of Completion DCP 36/2003 from
Thai Institute of Directors (IOD)

Experience:

- Managing Director, Lam Soon (Thailand) Plc.
- Managing Director, Universal Food Plc.
- Managing Director, Union Frost Co., Ltd.
- Managing Director, United Palm Oil Industry Plc.
- Executive Director, Lam Soon Holding Co., Ltd.
- o Director and General Manager, Lam Soon (Thailand) Plc.
- o President, Palm Oil Refinery Association
- o Director, Reckitt and Coleman (Thailand) Co.,Ltd.

(8) Name : **Miss Anchalee Suebchantasiri**

Position : Director and Finance Manager

Note : ● present experience ○ past experience

Age : 48
 % of share holding : 0.001%
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 2 companies
 Family relation with management : None
 Education : Bachelor's degree in Accountancy,
 Thammasat University;
 Certificate of Completion DCP 36/2003 from
 Thai Institute of Directors (IOD)

Experience:

- Executive Director, Lam Soon (Thailand) Plc.
- Executive Director, United Palm Oil Industry Plc.
- Executive Director, Universal Food Plc.
- Director, Union Frost Co., Ltd.
- Financial Manager, Lam Soon (Thailand) Plc.
- Director, Bangkok Edible Oil Co., Ltd.

(9) Name : **Mr. Ampol Simarojana**
 Position : Director and Factory Manager
 Age : 50
 % of share holding : 0.02%
 The number of directorships in listed companies
 - Chairman : 0 company
 - Director : 1 company
 Family relation with management : None
 Education : Bachelor of Science (Chemical Engineering),
 Chulalongkorn University;
 Certificate of Completion DCP 37/2003 from
 Thai Institute of Directors (IOD)

Experience:

- Executive Director, Lam Soon (Thailand) Plc.
- Factory Manager, Lam Soon (Thailand) Plc.
- Director, Universal Food Plc.
- Director, Union Frost Co., Ltd.
- Manager of Melting Division, Siam Asahe-Technoglass Co., Ltd.
- Assistant Production Manager, Lam Soon (Thailand) Co., Ltd.

(10) Name : **Mr. Nipol Punyawiwat**
 Position : Sales Manager
 Age : 47

Note : ● present experience ○ past experience

% of share holding : 0.11%
Family relation with management : None
Education : Bachelor of Law, Ramkhamhaeng University

Experience:

- Sales Manager, Lam Soon (Thailand) Plc.
- Sales Manager, Bangkok Edible Oil Co., Ltd.

(11) Name : **Mrs. Roongnapa Phanomchoeng**
Position : Industrial Sales Manager
Age : 48
% of share holding : None
Family relation with management : None
Education : Bachelor of Economy,
Ramkhamhaeng University

Experience:

- Industrial Sales Manager, Lam Soon (Thailand) Plc.
- Assistant Managing Director, Pure Refined Oil Co., Ltd.
- Senior Sales Manager, Abico Holdings Plc.

Note : ● present experience ○ past experience

10.2.6 Directors and Executives holding shares in the Company

Name	No. of shares at the end of 2005	Increase or (Decrease) in no. of shares during the fiscal year	No. of shares at the end of 2006
(1) Mr.Mechai Viravaidya	-	-	-
(2) Mr.Whang Tar Liang	2,758,000	-	2,758,000
(3) Mr.Songkram Grachangnetara	-	-	-
(4) Mrs. Saruda Chaengsiricharoen	-	-	-
(5) Mr. Tanatat Puttasuwan	-	-	-
(6) Mr.Whang Shang Ying	-	-	-
(7) Mr.Somchai Chongsawadchai	8,900,000	7,330,800	16,230,800
(8) Ms.Anchalee Suebchantasiri	9,140	-	9,140
(9) Mr.Ampol Simarojana	200,000	-	200,000
(10) Mr.Nipol Poonyaviwat	1,134,500	(210,000)	924,500
(11) Mrs. Roongnapa Phanomchoeng	-	-	-

10.2.7 Remuneration of Directors and Management

(a) Director's fees

- Director's fees paid to all 9 members of the Board 3,838,000 Baht

Name	Position	Director's fees in 2006
(1) Mr. Mechai Viravaidya	Chairman of Directors and Independent Director	569,000
(2) Mr. Whang Tar Liang	Deputy Chairman and Executive Director	232,000
(3) Mr. Songkram Grachangnetara	Independent Director and Chairman of Audit Committee	703,000
(4) Mrs. Saruda Changsiricharoen	Independent Director and Member of Audit Committee	703,000
(5) Mr. Tanatat Puttasuwan	Independent Director and Member of Audit Committee	703,000
(6) Mr. Whang Shang Ying	Executive Director	232,000
(7) Mr. Somchai Chongsawadchai	Managing Director	232,000
(8) Mr. Ampol Simarojana	Director and Factory Manager	232,000
(9) Ms. Anchalee Suebchantasiri	Director and Financial Manager	232,000

(b) Directors' fees paid to the Company's Directors as Directors of Subsidiaries

2,970,000 Baht

(c) Remuneration of the Management (7 members) 74,937,800 Baht*

* Remuneration of the Management comprises remuneration paid to the Executive Directors, the Managing Director, and the first 4 Department Manager levels ranking immediately below Managing Director as specified in the Notification of The Office of Securities and Exchange Commission.

(d) Other Remuneration

The Company has paid no other remuneration to Executive Directors and the Management. As for Provident Fund, the Management has been paid at the same rate as other employees. No Provident Fund has been paid to the two Executive Directors.

10.2.8 Directors and the Management having positions in subsidiaries and related companies

Name of Directors	Name of companies The Company	Subsidiaries		Related Company (Lam Soon Holding Co., Ltd.)
		United Palm Oil Industry Plc.	Universal Food Plc.	
(1) Mr. Mechai Viravaidya	X	X	X	
(2) Mr. Whang Tar Liang	//	/		X
(3) Mr. Whang Shang Ying	//	//	//	/
(4) Mr. Somchai Chongsawadchai	//	//	//	/
(5) Mr. Ampol Simarojana	//		//	/
(6) Ms. Anchalee Suebchantasiri	//	//	//	/

Notes : X : Chairman of Board of Directors
/ : Director
// : Executive Director

10.2.9 Control system of utilising insider information

The Company has set out policy and guidelines preventing the Management from utilising insider information of the Company for personal gain as follows:

1. to provide the Board and the Management with knowledge that they are obliged to prepare and disclose reports on each person's securities holding and the holding of securities in the Company by his spouse and minor children. This includes penalty provisions under the Securities and Exchange Act B.E. 2535 and the regulations of the Stock Exchange of Thailand;

2. to inform the Management of their duty to report their holdings of securities in the Company to the Board in every quarter on which the Board meeting is called;
3. to inform the Management that material insider information of the Company should not be revealed to others. This includes impacts on the Company' securities, and the penalty provisions of a law that the Management may face according to the Securities and Exchange Act B.E. 2535, as a result of their violation;
4. to prohibit the Management to trade the Company' s shares 1 month prior to the Company' s financial statements being announced.

10.2.10 Internal Control Management

The business transactions where the Company is a majority shareholder or those of its subsidiary companies are mentioned in the Notes to the Financial Statements item 7, as well as the transactions corresponding to the rules and regulations of the SET regarding related transactions are also mentioned. The Board provided the opinion that the Company maintains adequate internal measures.

Another significant internal control measure is the quarterly review reports by the Company's Internal Auditor, excepting those of the fourth quarter of 2006, Dr. Virach & Associates, which are reviewed closely by the Audit Committee. Major issues are reported to the Board by the Audit Committee.

10.3 Dividend Payout Policy

The Company's policy is to pay dividends to shareholders of an amount not less than 40% of net earnings after tax. The Company paid dividend for the operational period of 2006 at the rate of 0.20 Baht/share representing for 71.43% of net profit, compared with that of 2005 at 0.03 Baht/share representing for 42.86% of net profit. The higher amount is due to the improvement of operating results.

United Palm Oil Industry Plc. pays dividends at approximately 50% of net earnings after tax, depending on the company's performance and economic situation.

Universal Food Plc. pays no dividends due to accumulated retained losses.

11. Common Interested Persons and Connected Transactions

11.1 Connected transactions with common interested persons

The Company had no connected transactions other than as declared in Notes to financial statements item no. 7.

11.2 Necessity and reasons for connected transactions

Crude palm oil (CPO) is a major raw material for the company's palm oil refinery and fats manufacturing. United Palm Oil Industry Plc. (UPOIC), a subsidiary of the Company, is a major supplier of CPO to the Company. It operates a crushing mill that produces quality CPO with record of good on-time delivery. Due to seasonal shortage in the supply of domestic CPO consumed by refineries and that any CPO import has to be approved by the Government, it is therefore necessary for the Company to buy CPO from its subsidiary.

11.3 Measures or criteria to approve connected transactions

In 2006, the Company's purchases of CPO and CPKO from UPOIC accounted for 26.38 % of its total CPO and CPKO purchase. The buying was based on the ongoing market price as normal business transaction on an arm's length basis. It was done without any commitment, but on the basis of the CPO purchase contract and in compliance with normal business practice in the palm oil industry.

Mr. Somchai Chongsawadchai, Managing Director of the Company and of UPOIC, approved the CPO purchase for Lam Soon. The approval was based on the market price references of various crushing mills.

11.4 Connected transactions in the future

The Company has had business transactions with UPOIC prior to the Company becoming its major shareholder. UPOIC owns the largest oil palm plantation in Thailand and its crushing mill produces quality CPO. So long as the Government's policy on import of CPO is unclear, the Company will have to source CPO from UPOIC. Nevertheless, the Company can and does buy CPO at competitive price from other crushing mills as additional sources of supply.

12. Other Factors Affecting Investment Decisions

12.1 Legal conflicts

As at 31 December 2006, there was no litigation involving the Company which could have a material adverse impact on the assets of the Company or its subsidiaries amounting higher than 5% of shareholders' equity.

12.2 Obligations on future share issuance

- None -

13. Information on Debentures or Promissory Notes

- None -

14. Financial statements

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006 AND 2005

Report of Independent Auditor

To The Board of Directors and Shareholders of
Lam Soon (Thailand) Public Company Limited

I have audited the accompanying consolidated balance sheet of Lam Soon (Thailand) Public Company Limited and its subsidiaries as at 31 December 2006, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the year then ended and the separate financial statements of Lam Soon (Thailand) Public Company Limited for the same periods. These financial statements are the responsibility of the Company's management as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements of Lam Soon (Thailand) Public Company Limited as of 31 December 2005 and for the year then ended, as presented herein for comparative purpose, were audited by another auditor who, under his report dated 27 February 2006, expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lam Soon (Thailand) Public Company Limited and its subsidiaries and of Lam Soon (Thailand) Public Company Limited as at 31 December 2006 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited

Bangkok : 28 February 2007

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		195,378,573	268,544,672	56,143,964	27,407,515
Current investment - fixed deposit		83,206,851	-	-	-
Trade accounts receivable					
Related parties	6, 7	2,190,258	1,776,555	966,350	260,851
Unrelated parties	6	586,451,193	550,802,871	540,433,949	404,848,738
Total trade accounts receivable - net		588,641,451	552,579,426	541,400,299	405,109,589
Short-term loans and advances to related parties - net	7	-	16,641	276,379	3,276,322
Inventories - net	8	851,147,772	820,969,953	513,021,592	434,034,168
Other current assets		33,841,812	27,623,582	13,474,117	14,947,968
TOTAL CURRENT ASSETS		1,752,216,459	1,669,734,274	1,124,316,351	884,775,562
NON-CURRENT ASSETS					
Investments in subsidiaries accounted for under equity method	9	-	-	1,098,211,445	1,009,768,047
Other long-term investments - net	10	14,955,849	14,351,440	655,852	701,443
Property, plant and equipment - net	11	1,435,269,942	1,296,653,664	441,054,335	442,543,051
Non-operating land		109,481,612	109,481,612	-	-
Restricted bank deposits	12	900,000	900,000	-	-
Excess of acquisition cost of investments over net book value of subsidiaries		239,804,050	242,254,115	-	-
Other non-current assets		14,488,464	1,302,382	636,038	417,022
TOTAL NON-CURRENT ASSETS		1,814,899,917	1,664,943,213	1,540,557,670	1,453,429,563
TOTAL ASSETS		3,567,116,376	3,334,677,487	2,664,874,021	2,338,205,125

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans					
from financial institutions	13	851,574,193	802,927,652	515,000,000	470,000,000
Trade accounts payable					
Related parties	7	-	2,704,705	107,616,831	2,182,844
Unrelated parties		197,639,544	163,579,233	127,843,530	99,060,734
Total trade accounts payable		197,639,544	166,283,938	235,460,361	101,243,578
Current portion of long term loans	14	124,232,000	212,884,444	69,650,000	171,900,000
Dividend payable		30,217,811	30,424,073	25,433,379	25,404,034
Other current liabilities					
Corporate income tax payable		32,603,119	15,241,341	24,064,240	8,020,062
Accrued expenses		100,541,253	59,031,344	75,075,599	25,636,187
Unearned income		40,892,119	27,043,358	40,892,119	26,652,686
Others		80,988,879	72,360,044	41,103,782	33,400,493
Total other current liabilities		255,025,370	173,676,087	181,135,740	93,709,428
TOTAL CURRENT LIABILITIES		1,458,688,918	1,386,196,194	1,026,679,480	862,257,040
NON-CURRENT LIABILITIES					
Long-term loans - net of current portion	14	132,933,000	201,545,556	-	69,650,000
Provision for land rental charge	15	18,748,000	17,028,000	-	-
Reserve for employee retirement benefit plan	16	5,031,992	1,472,565	5,031,992	1,472,565
Other non-current liabilities		-	154,523	-	-
TOTAL NON-CURRENT LIABILITIES		156,712,992	220,200,644	5,031,992	71,122,565
TOTAL LIABILITIES		1,615,401,910	1,606,396,838	1,031,711,472	933,379,605

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
SHAREHOLDERS' EQUITY					
Share capital					
Registered, issued and fully paid-up					
820,000,000 ordinary shares of Baht 1 each		820,000,000	820,000,000	820,000,000	820,000,000
Paid-in capital					
Share premium		241,970,265	241,970,265	241,970,265	241,970,265
Premium on treasury stock	18	5,269,100	8,304,881	5,269,100	8,304,881
Unrealised loss from other long-term investments	10	-2,630,824	-2,922,391	-2,630,824	-2,922,391
Retained earnings					
Appropriated - statutory reserve	17	83,160,001	70,748,216	82,000,000	70,748,216
- treasury stock reserve	18	-	26,618,806	-	26,618,806
Unappropriated		485,394,007	266,724,549	486,554,008	266,724,549
Total shareholders' equity		1,633,162,549	1,431,444,326	1,633,162,549	1,431,444,326
Less : Treasury stock	18	-	-26,618,806	-	-26,618,806
EQUITY ATTRIBUTABLE TO THE COMPANY'S					
SHAREHOLDERS - NET		1,633,162,549	1,404,825,520	1,633,162,549	1,404,825,520
MINORITY INTERESTS - equity attributable to minority					
shareholders of subsidiaries		318,551,917	323,455,129	-	-
TOTAL SHAREHOLDERS' EQUITY		1,951,714,466	1,728,280,649	1,633,162,549	1,404,825,520
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,567,116,376	3,334,677,487	2,664,874,021	2,338,205,125
		0	0	0	0

The accompanying notes are an integral part of the financial statements.

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DIRECTORS

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LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

INCOME STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2006	2005	2006	2005
REVENUES					
Sales		5,303,641,841	5,114,261,651	4,453,011,555	4,048,681,206
Share of income from investments accounted for under equity method		-	-	84,322,061	19,361,298
Reversal of allowance for diminution in value of inventories		28,022,720	9,215,782	-	9,215,782
Other income		42,693,034	31,468,271	29,110,783	12,935,977
TOTAL REVENUES		5,374,357,595	5,154,945,704	4,566,444,399	4,090,194,263
EXPENSES					
Cost of sales		4,348,182,789	4,467,519,603	3,902,316,869	3,749,345,373
Selling and administrative expenses		597,859,323	512,909,130	360,312,956	250,948,917
Amortisation of goodwill		17,881,365	17,435,772	-	-
TOTAL EXPENSES		4,963,923,477	4,997,864,505	4,262,629,825	4,000,294,290
INCOME BEFORE INTEREST EXPENSES					
AND CORPORATE INCOME TAX		410,434,118	157,081,199	303,814,574	89,899,973
INTEREST EXPENSES		-64,984,432	-52,998,059	-34,746,170	-28,000,667
CORPORATE INCOME TAX		-63,533,880	-27,036,433	-40,138,024	-8,020,062
INCOME BEFORE MINORITY INTERESTS		281,915,806	77,046,707	228,930,380	53,879,244
NET INCOME ATTRIBUTABLE TO MINORITY INTERESTS		-52,985,426	-23,167,463	-	-
NET INCOME FOR THE YEAR		228,930,380	53,879,244	228,930,380	53,879,244
BASIC EARNINGS PER SHARE					
Net income	21	0.28	0.07	0.28	0.07
Weighted average number of ordinary shares - net (Shares)		816,651,972	757,585,556	816,651,972	757,585,556

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Cash flows from operating activities :				
Net income	228,930,380	53,879,244	228,930,380	53,879,244
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :-				
Depreciation and amortisation	136,401,236	140,530,359	47,173,172	48,110,295
Amortisation of excess of acquisition cost of investments over net book value of subsidiaries	17,881,365	17,435,772	-	-
Share of income from investments accounted for under equity method	-	-	-84,322,061	-19,361,298
Increase in allowance for doubtful accounts	2,268,346	5,155,812	2,149,520	359,612
Increase (decrease) in allowance for stock obsolescences and diminution in value of inventories	-26,524,915	11,477,409	78,629	-9,215,781
Reversal allowance for impairment loss of assets	-2,297,225	-	-	-
Provision for land rental charge	1,720,000	1,720,000	-	-
Reserve for employee retirement benefit plan	3,559,427	-606,548	3,559,427	-606,548
Loss (gain) on disposal and write off of property, plant and equipment	5,064,546	1,766,216	-11,382	-1,793
Unrealised loss (gain) on exchange	128,918	-248,935	-23,889	-110,410
Net income attributable to minority interests	52,985,426	23,167,463	-	-
Income from operating activities before changes in operating assets and liabilities	420,117,504	254,276,792	197,533,796	73,053,321
Decrease (increase) in operating assets :-				
Trade accounts receivable - related parties	-428,195	1,419,200	-705,499	499,183
Trade accounts receivable - unrelated parties	-37,551,653	32,999,209	-137,736,545	49,147,841
Inventories	-3,652,904	387,892,754	-79,066,053	333,247,052
Other current assets	-6,105,833	-14,918,511	1,473,851	-12,320,716
Other non-current assets	-13,186,082	-613,089	-219,016	24,000
Increase (decrease) in operating liabilities :-				
Trade accounts payable - related parties	-2,704,705	2,704,705	105,433,987	-22,882,610
Trade accounts payable - unrelated parties	34,083,714	-36,359,934	28,808,499	-21,356,313
Other current liabilities	77,080,660	27,198,517	82,991,661	17,549,581
Net cash from operating activities	467,652,506	654,599,643	198,514,681	416,961,339

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2006	2005	2006	2005
Cash flows from investing activities :				
Increase in fixed deposits with maturity of more than 3 months	-83,206,851	-	-	-
(Increase) decrease in short-term loans and advances to related parties	-663,251	-838,671	2,999,943	-3,057,111
Increase in investment in subsidiary	-47,679,400	-	-47,679,400	-
Dividend received from subsidiary	-	-	43,895,222	21,482,511
Acquisitions of property, plant and equipment	-276,445,269	-135,304,437	-41,521,750	-33,154,752
Proceeds from disposal of property, plant and equipment	2,996,141	11,760,097	283,327	3,363,727
Net cash used in investing activities	<u>-404,998,630</u>	<u>-124,383,011</u>	<u>-42,022,658</u>	<u>-11,365,625</u>
Cash flows from financing activities :				
Increase (decrease) in bank overdrafts and short-term loans				
from financial institutions	48,646,541	-178,320,255	45,000,000	-195,000,000
Repayment of hire purchase creditors	-390,672	-390,672	-	-
Cash receipt from long-term loans	56,300,000	-	-	-
Repayment for long-term loans	-213,565,000	-357,410,000	-171,900,000	-330,950,000
Proceeds from disposal of treasury stock	23,583,025	109,298,975	23,583,025	109,298,975
Dividend paid	-50,393,869	-29,066,596	-24,438,599	-18,469,752
Net cash used in financing activities	<u>-135,819,975</u>	<u>-455,888,548</u>	<u>-127,755,574</u>	<u>-435,120,777</u>
Net increase (decrease) in cash and cash equivalents	-73,166,099	74,328,084	28,736,449	-29,525,063
Cash and cash equivalents at beginning of the year	268,544,672	194,216,588	27,407,515	56,932,578
Cash and cash equivalents at end of the year	<u>195,378,573</u>	<u>268,544,672</u>	<u>56,143,964</u>	<u>27,407,515</u>
Supplementary disclosures of cash flows information				
Cash paid during the year for :-				
Interest expenses	64,381,134	54,233,661	34,722,687	29,160,431
Corporate income tax	47,065,219	24,707,629	24,245,077	6,268,713
Non-cash transactions :				
Acquisitions of plant and equipment that have not been paid	9,595,729	5,260,022	4,434,651	-

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

CONSOLIDATED											
	Note	Issued and		Unrealised loss from other long-term investments	Retained earnings			Treasury stock	Minority interests	Total	
		paid up share capital	Premium on Share premium treasury stock		Appropriated		Unappropriated				
					statutory reserve	treasury stock reserve					
Balance as at 1 January 2005		820,000,000	241,970,265	-	(3,092,259)	68,054,254	-	260,608,073	(127,612,900)	311,164,636	1,571,092,069
Adjustment of fair value of investments		-	-	-	169,868	-	-	-	-	-	169,868
Appropriation of statutory reserve	17	-	-	-	-	2,693,962	-	(2,693,962)	-	-	-
Appropriation of treasury stock reserve	18	-	-	-	-	-	127,612,900	(127,612,900)	-	-	-
Adjustment of treasury stock reserve	18	-	-	-	-	-	(100,994,094)	100,994,094	-	-	-
Disposal of treasury stock	18	-	-	8,304,881	-	-	-	-	100,994,094	-	109,298,975
Dividend paid	24	-	-	-	-	-	-	(18,450,000)	-	-	(18,450,000)
Net income for the year		-	-	-	-	-	-	53,879,244	-	-	53,879,244
Increase in minority interest - equity attributable											
to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	12,290,493	12,290,493
Balance as at 31 December 2005		820,000,000	241,970,265	8,304,881	(2,922,391)	70,748,216	26,618,806	266,724,549	(26,618,806)	323,455,129	1,728,280,649
Adjustment of fair value of investments		-	-	-	291,567	-	-	-	-	-	291,567
Appropriation of statutory reserve	17	-	-	-	-	12,411,785	-	(12,411,785)	-	-	-
Adjustment of treasury stock reserve	18	-	-	-	-	-	(26,618,806)	26,618,806	-	-	-
Disposal of treasury stock	18	-	-	(3,035,781)	-	-	-	-	26,618,806	-	23,583,025
Dividend paid	24	-	-	-	-	-	-	(24,467,943)	-	-	(24,467,943)
Net income for the year		-	-	-	-	-	-	228,930,380	-	-	228,930,380
Decrease in minority interest - equity attributable											
to minority shareholders of subsidiaries		-	-	-	-	-	-	-	-	(4,903,212)	(4,903,212)
Balance as at 31 December 2006		820,000,000	241,970,265	5,269,100	(2,630,824)	83,160,001	-	485,394,007	-	318,551,917	1,951,714,466

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Unit : Baht)

		THE COMPANY ONLY								
				Unrealised loss	Retained earnings					
		Issued and	Premium on	from other	Appropriated					
		paid up	treasury stock	long-term	statutory	treasury	Unappropriated	Treasury stock	Total	
Note	share capital	Share premium	investments	reserve	stock reserve					
	Balance as at 1 January 2005	820,000,000	241,970,265	-	(3,092,259)	68,054,254	-	260,608,073	(127,612,900)	1,259,927,433
	Adjustment of fair value of investments	-	-	-	169,868	-	-	-	-	169,868
	Appropriation of statutory reserve	-	-	-	-	2,693,962	-	(2,693,962)	-	-
	Appropriation of treasury stock reserve	-	-	-	-	-	127,612,900	(127,612,900)	-	-
	Adjustment of treasury stock reserve	-	-	-	-	-	(100,994,094)	100,994,094	-	-
	Disposal of treasury stock	-	-	8,304,881	-	-	-	-	100,994,094	109,298,975
	Dividend paid	-	-	-	-	-	-	(18,450,000)	-	(18,450,000)
	Net income for the year	-	-	-	-	-	-	53,879,244	-	53,879,244
	Balance as at 31 December 2005	820,000,000	241,970,265	8,304,881	(2,922,391)	70,748,216	26,618,806	266,724,549	(26,618,806)	1,404,825,520
	Adjustment of fair value of investments	-	-	-	291,567	-	-	-	-	291,567
	Appropriation of statutory reserve	-	-	-	-	11,251,784	-	(11,251,784)	-	-
	Adjustment of treasury stock reserve	-	-	-	-	-	(26,618,806)	26,618,806	-	-
	Disposal of treasury stock	-	-	(3,035,781)	-	-	-	-	26,618,806	23,583,025
	Dividend paid	-	-	-	-	-	-	(24,467,943)	-	(24,467,943)
	Net income for the year	-	-	-	-	-	-	228,930,380	-	228,930,380
	Balance as at 31 December 2006	820,000,000	241,970,265	5,269,100	(2,630,824)	82,000,000	-	486,554,008	-	1,633,162,549

The accompanying notes are an integral part of the financial statements.

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

1. GENERAL INFORMATION

Lam Soon (Thailand) Public Company Limited is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and distribution of palm oil, and its registered address is at 947/155 Moo 12, Bangna-Trad Road, Bangna, Bangkok.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Profession Act B.E. 2547. The presentation of the financial statements has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 14 September 2001, issued under the Accounting Act B.E. 2543.

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

3. BASIS OF CONSOLIDATION

3.1 The consolidated financial statements include the financial statements of Lam Soon (Thailand) Public Company Limited (herein after called “the Company”) and the financial statements of its subsidiaries (herein after called “the subsidiaries”), which were incorporated in Thailand, as follows :

Company's name	Nature of business	Percentage of shareholding		Country of incorporation	Assets as a percentage to the consolidated total assets as at 31 December		Revenues as a percentage to the consolidated total revenues for the year ended 31 December	
		<u>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
		Percent	Percent		Percent	Percent	Percent	Percent
<u>Subsidiaries directly held by the Company</u>								
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	69.96	66.29	Thailand	26	25	2	1
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	96.79	96.79	Thailand	24	29	15	20

Company's name	Nature of business	Percentage of indirect shareholding		Country of incorporation
		2006	2005	
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>				
Phansrivivat Company Limited	Owner of oil palm plantation	100	100	Thailand
<u>Subsidiaries held by Phasrivivat Company Limited</u>				
Prachak Vivat Company Limited	Holder of concessions to use forest reserve land	100	100	Thailand
Phansri Company Limited	Holder of concessions to use forest reserve land	100	100	Thailand
<u>Subsidiary held by Universal Food Public Company Limited</u>				
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	58	58	Thailand

3.2 Intercompany balances and significant intercompany transactions between the Company and its subsidiaries, investments in subsidiaries of the Company and the subsidiaries' share capital have been eliminated from the consolidated financial statements.

3.3 The excess of cost of investments in subsidiaries and the net assets value of the subsidiaries at the time of acquisition has been shown as "Excess of acquisition cost of investments over net book value of subsidiaries" under non-current assets in the consolidated balance sheets, which is amortized over a period of 20 years from the date of acquisition.

4. ADOPTION OF NEW ACCOUNTING STANDARDS

In October 2006, the Federation of Accounting Professions issued Notification No. 26/2006 regarding Accounting Standard No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" (Amendment No. 1), under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method rather than the equity method. Entities which are not ready to adopt the cost method in 2006 can continue to use the equity method through the end of 2006 and adopt the cost method as from 1 January 2007.

In this regard, the Company has elected to adopt the change in 2007. Adoption of the change in 2007 will necessitate the restatement of the Company's 2006 separate financial statements to be presented for comparative purposes along with the financial statements for 2007. The restatement will have the effect of decreasing net income in the separate income statement for 2006 by approximately Baht 40.4 million (Baht 0.05 per share) and increasing net worth in the balance sheet at 31 December 2006 by approximately Baht 35.5 million.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Revenue recognition

Sales of goods

Sales of goods are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

Interest income

Interest income is recognized as interest accrues taking into account the effective rate method.

Dividends

Dividends are recognized when the right to receive the payment is established.

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and cash at banks and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

5.3 Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

5.4 Inventories

Finished goods are valued at the lower of cost (Moving average method) and net realisable value. Cost is defined as all production costs including attributable factory overheads.

Raw materials and supplies used in the manufacture are valued at cost (Moving average method) and constitute as parts of production cost whenever consumed.

Allowance for diminution in inventory value and stock obsolescence is set up for old, obsolete, slow-moving or deteriorated inventories.

5.5 Investments

- a) Investments in available-for-sale securities are stated at fair value. Changes in the carrying amounts of securities are recorded as separate items in shareholders' equity until the securities are sold, when the changes are then included in determining income.
- b) Investments in subsidiary companies are accounted for under the equity method.

5.6 Property, plant and equipment/depreciation and amortisation

Land is stated at cost. Plant and equipment are stated at cost less accumulated depreciation and allowance for impairment loss of assets (if any).

Depreciation of plant and equipment is calculated by reference to their costs on the straight-line basis over the estimated useful lives as follows :-

Cost of rights to use forest reserve land	-	Concession period
Building	-	20 - 30 years
Building improvement	-	5 years
Waste water treatment	-	15 - 30 years
Machinery, factory and agricultural equipment	-	5 - 15 years
Furniture, fixtures and office equipment	-	5 - 10 years
Motor vehicles	-	5 years

No depreciation is provided for land, construction in progress and machinery under installation.

Oil palm plantation development costs represent the costs of palm tree plantations, and are amortised over the estimated productive life of the palm trees (25 years) or over the remaining period of the forest reserve land concession, whichever is shorter.

Costs of supplying palm vacancies and infilling mature areas are included in determining income.

Depreciation and amortisation are included in determining income.

5.7 Non-operating land

Non-operating land is stated at the lower of cost and the latest appraised value.

5.8 Related party transactions

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.

They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

5.9 Foreign currencies

Foreign currency transactions are translated into Baht at the exchange rates ruling on the transaction dates. Assets and liabilities denominated in foreign currencies outstanding at the balance sheet date are translated into Baht at the exchange rates ruling on the balance sheet date.

Gains and losses on exchange are included in determining income.

5.10 Impairment of assets

The Company and the subsidiaries assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Company and the subsidiaries make an estimate of the asset's recoverable amount. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the income statement. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

5.11 Treasury stock

Treasury stock is stated at cost and is presented as a reduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock, losses on disposal of treasury stock are determined by reference to its carrying amount and are taken to premium on treasury stock and retained earnings, consecutively.

5.12 Employee benefits

Salary, wages, bonuses and contributions to the social security fund and provident fund are recognized as expenses when incurred.

The Company also records reserve for employee retirement benefit plan, which is estimated by the management based on the length of employee service and average remuneration of the employees.

5.13 Provisions

Provisions are recognized when the Company and the subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

5.14 Income Tax

Income tax is provided for in the accounts based on the taxable profits determined in accordance with tax legislation.

5.15 Derivatives - forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rate exchange on the balance sheet. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

5.16 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

6. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2006 and 2005, classified by aging, were as follows :-

	(Unit : Baht)			
	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Related parties</u>				
- Less than 3 months	2,196,072	1,776,555	966,350	260,851
- 6 - 12 months	(5,814)	-	-	-
- Over 12 months	452,280	452,280	-	-
Total	<u>2,642,538</u>	<u>2,228,835</u>	<u>966,350</u>	<u>260,851</u>
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties, net	<u>2,190,258</u>	<u>1,776,555</u>	<u>966,350</u>	<u>260,851</u>

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Unrelated parties</u>				
Post dated cheques receivable	39,864,722	28,720,115	39,864,722	18,687,853
Cheque returned	15,241,246	13,043,867	10,033,694	8,347,716
Trade accounts receivable				
- Less than 3 months	542,335,293	513,919,970	497,528,167	378,908,245
- 3 - 6 months	1,912,817	5,270,515	648,940	4,353,402
- 6 - 12 months	1,008,085	1,619,071	764,335	1,870,801
- Over 12 months	24,418,192	24,857,645	3,114,865	2,051,975
Total	624,780,355	587,431,183	551,954,723	414,219,992
Less : Allowance for doubtful accounts	(38,329,162)	(36,628,312)	(11,520,774)	(9,371,254)
Trade accounts receivable – unrelated parties, net	586,451,193	550,802,871	540,433,949	404,848,738
Total trade accounts receivable - net	588,641,451	552,579,426	541,400,299	405,109,589

7. RELATED PARTY TRANSACTIONS

During the years, the Company and its subsidiaries had significant business transactions with related parties, which have been concluded on commercial terms and bases agreed upon in the ordinary course of businesses between the Company and those companies. Below is a summary of those transactions.

(Unit : Million Baht)

	For the year ended 31 December				Pricing and lending policy
	Consolidated		The Company Only		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
<i>Transactions with subsidiaries</i>					
Purchase of goods	-	-	607.9	386.3	Forward contract prices by using market prices at the date of agreement or market prices
Purchase of finished goods	-	-	300.0	-	Market prices less fixed margin
Rental income	-	-	2.1	2.1	Market price
Guarantee fee income	-	-	3.0	-	1.5 percent per annum of credit facilities
<i>Transactions with related companies</i>					
Sales of goods	16.3	11.3	2.1	3.1	Price approximates market price
Interest income	0.7	0.6	-	-	Interest at rate 7.00 percent per annum (2005 : 1.25 percent per annum)
Purchases of equipment	-	2.7	-	-	Market price
Purchases of goods and services	0.5	0.6	-	-	Cost

The outstanding balances as at 31 December 2006 and 2005 between the Company and the related parties have been separately shown in the balances sheets with the details as follows :-

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
(Unit : Baht)				
<u>Trade accounts receivable - related parties</u>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	187,071	-
Total trade accounts receivable - subsidiary	-	-	187,071	-
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	642,524	1,220,001	-	-
ACE Canning Corporation Sdn. Bhd.	306,999	300,333	-	-
Lam Soon Edible Oils Sdn. Bhd.	1,240,735	256,221	779,279	256,221
Union Fresh Company Limited	452,280	452,280	-	-
Union Frost Company Limited	-	-	-	4,630
Total trade accounts receivable - related companies	2,642,538	2,228,835	779,279	260,851
Total trade accounts receivable - related parties	2,642,538	2,228,835	966,350	260,851
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Total trade accounts receivable - related parties, net	2,190,258	1,776,555	966,350	260,851
 <u>Short-term loans and advances to related parties</u>				
<u>Short-term loans - related companies</u>				
Union Fresh Company Limited	40,285,836	40,285,836	-	-
Siam Unison Company Limited	5,324,565	5,324,565	-	-
Total short-term loans - related companies	45,610,401	45,610,401	-	-
<u>Advances - related parties</u>				
<u>Subsidiaries</u>				
Universal Food Public Company Limited	-	-	250,859	3,272,558
United Palm Oil Industry Public Company Limited	-	-	25,520	3,764
Total advances - subsidiaries	-	-	276,379	3,276,322

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Related companies</u>				
Union Fresh Company Limited	18,549,353	17,869,461	-	-
Siam Unison Company Limited	1,778,890	1,778,890	-	-
Lam Soon Edible Oils Sdn. Bhd.	-	16,641	-	-
Total advances - related companies	20,328,243	19,664,992	-	-
Total advances - related parties	20,328,243	19,664,992	276,379	3,276,322
Total short-term loans and advances to related parties	65,938,644	65,275,393	276,379	3,276,322
Less : Allowance for doubtful accounts	(65,938,644)	(65,258,752)	-	-
Total short-term loans and advances to related parties - net	-	16,641	276,379	3,276,322
 <u>Trade accounts payable - related parties</u>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	39,907,621	1,957,903
Universal Food Public Company Limited	-	-	67,709,210	224,941
Total trade accounts payable – subsidiaries	-	-	107,616,831	2,182,844
<u>Related company</u>				
ACE Canning Corporation Sdn. Bhd.	-	2,704,705	-	-
Total trade accounts payable - related company	-	2,704,705	-	-
Total trade accounts payable – related parties	-	2,704,705	107,616,831	2,182,844

Directors' remuneration

In 2006, the Company and its subsidiaries paid remuneration to their directors totaling Baht 12.2 million (The Company Only: Baht 3.8 million) (2005: Baht 12.0 million, The Company Only: Baht 3.8 million).

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

Guarantee obligations with related parties

The Company has outstanding guarantee obligations for its subsidiary, as described in Note 26.2 to the financial statements.

8. INVENTORIES

(Unit : Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Finished goods	353,349,205	442,178,363	71,509,791	61,296,001
Work in process	376,849,314	335,751,110	374,425,004	334,928,731
Raw materials	73,763,413	33,267,829	34,576,114	7,094,824
Supplies and spare parts	92,315,746	81,427,473	34,199,765	32,325,065
Total	896,277,678	892,624,775	514,710,674	435,644,621
Less : Allowance for diminution in inventory value and stock obsolescence	(45,129,906)	(71,654,822)	(1,689,082)	(1,610,453)
Inventories - net	851,147,772	820,969,953	513,021,592	434,034,168

9. INVESTMENTS IN SUBSIDIARIES ACCOUNTED FOR UNDER EQUITY METHOD

These represent investments in ordinary shares of the following subsidiary companies.

(Unit : Baht)

Company's name	Type of business	Paid-up share capital		Equity interest		Cost		Carrying value under equity method		Dividend received	
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
				Percent	Percent						
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	324,050,000	324,050,000	69.96	66.29	746,185,333	698,505,933	712,809,569	613,026,278	43,895,222	21,482,511
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	350,000,000	350,000,000	96.79	96.79	406,497,756	406,497,756	385,401,876	396,741,769	-	-
Total investments in subsidiaries accounted for under equity method						1,152,683,089	1,105,003,689	1,098,211,445	1,009,768,047	43,895,222	21,482,511

10. OTHER LONG-TERM INVESTMENTS

(Unit : Baht)

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Equity securities</u>				
Open-ended Kumlai Perm Poon Fund	1,000,000	1,000,000	1,000,000	1,000,000
Open-ended TCM Equity Fund (formally known as Thaiorchid Fund)	300,000	300,000	300,000	300,000
Open-ended Kiatnakin Fund	200,000	200,000	200,000	200,000
Bangkok Bank Fund	16,853,850	16,853,850	-	-
Total	18,353,850	18,353,850	1,500,000	1,500,000
Less : Unrealised loss from other long-term investments	(3,398,001)	(4,002,410)	(844,148)	(798,557)
Other long-term investments - net	14,955,849	14,351,440	655,852	701,443
<u>Unrealised loss from other long-term investments</u>				
Portion of the Company				
Portion of the subsidiary	844,148	798,557	844,148	798,557
Total	2,553,853	3,203,853	-	-
Unrealised loss attributable to the Company's investment and minority interests	3,398,001	4,002,410	844,148	798,557
Unrealised loss from other long-term investments	(767,177)	(1,080,019)	1,786,676	2,123,834
	2,630,824	2,922,391	2,630,824	2,922,391

11. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

	Consolidated								
	Land	Cost of forest land rights & plantation development costs	Building & building improvement	Factory and agricultural machinery and equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Others	Total
Cost									
31 December 2005	263,520,645	479,258,298	541,373,180	1,221,278,770	103,575,435	161,511,499	121,969,853	49,726,758	2,942,214,438
Purchases	220,000	-	484,400	17,948,546	2,806,488	363,000	118,911,102	138,580,138	279,313,674
Capitalized interest	-	-	-	-	-	-	1,967,801	-	1,967,801
Disposals/write off	-	(33,874,706)	-	(15,857,197)	(426,198)	(3,928,268)	-	(500,085)	(54,586,454)
Transfer in / (transfer out)	(955,884)	-	86,935,197	122,029,738	3,577,695	74,201	(206,751,953)	(4,908,994)	-
31 December 2006	262,784,761	445,383,592	628,792,777	1,345,399,857	109,533,420	158,020,432	36,096,803	182,897,817	3,168,909,459
Accumulated depreciation									
31 December 2005	-	274,695,016	334,229,926	811,215,575	72,508,662	131,229,446	-	-	1,623,878,625
Depreciation for the year	-	19,967,216	22,379,089	72,982,741	9,577,051	11,495,139	-	-	136,401,236
Depreciation on disposals/write off	-	(28,114,833)	-	(14,027,953)	(426,170)	(3,456,312)	-	-	(46,025,268)
Transfer in / (transfer out)	-	-	-	(1,603,165)	1,603,165	-	-	-	-
31 December 2006	-	266,547,399	356,609,015	868,567,198	83,262,708	139,268,273	-	-	1,714,254,593
Allowance for impairment									
31 December 2005	14,487,948	-	-	1,926,317	5,267,884	-	-	-	21,682,149
Decrease	-	-	-	-	(2,297,225)	-	-	-	(2,297,225)
31 December 2006	14,487,948	-	-	1,926,317	2,970,659	-	-	-	19,384,924
Net book value									
31 December 2005	249,032,697	204,563,282	207,143,254	408,136,878	25,798,889	30,282,053	121,969,853	49,726,758	1,296,653,664
31 December 2006	248,296,813	178,836,193	272,183,762	474,906,342	23,300,053	18,752,159	36,096,803	182,897,817	1,435,269,942
Depreciation for the year :									
2005 (Baht 115 million included in manufacturing cost, and the balance in selling and administrative expenses)									140,530,359
2006 (Baht 114 million included in manufacturing cost, and the balance in selling and administrative expenses)									136,401,236

(Unit : Baht)

The Company Only							
	Land	Building & improvement	Machinery, factory equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
Cost							
31 December 2005	27,938,625	233,098,469	631,489,448	29,220,472	29,104,025	95,332,437	1,046,183,476
Purchases	-	-	9,581,720	303,286	-	36,071,395	45,956,401
Disposals/write off	-	-	(2,335,446)	-	-	-	(2,335,446)
Transfer in / (transfer out)	-	16,206,206	95,861,904	1,123,661	-	(113,191,771)	-
31 December 2006	<u>27,938,625</u>	<u>249,304,675</u>	<u>734,597,626</u>	<u>30,647,419</u>	<u>29,104,025</u>	<u>18,212,061</u>	<u>1,089,804,431</u>
Accumulated depreciation							
31 December 2005	-	148,191,356	403,630,145	26,600,569	23,292,038	-	601,714,108
Depreciation for the year	-	8,698,587	34,659,663	1,099,971	2,714,951	-	47,173,172
Depreciation on disposals/write off	-	-	(2,063,501)	-	-	-	(2,063,501)
31 December 2006	<u>-</u>	<u>156,889,943</u>	<u>436,226,307</u>	<u>27,700,540</u>	<u>26,006,989</u>	<u>-</u>	<u>646,823,779</u>
Allowance for impairment							
31 December 2005	-	-	1,926,317	-	-	-	1,926,317
31 December 2006	<u>-</u>	<u>-</u>	<u>1,926,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,926,317</u>
Net book value							
31 December 2005	<u>27,938,625</u>	<u>84,907,113</u>	<u>225,932,986</u>	<u>2,619,903</u>	<u>5,811,987</u>	<u>95,332,437</u>	<u>442,543,051</u>
31 December 2006	<u>27,938,625</u>	<u>92,414,732</u>	<u>296,445,002</u>	<u>2,946,879</u>	<u>3,097,036</u>	<u>18,212,061</u>	<u>441,054,335</u>
Depreciation for the year :							
2005 (Baht 35 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>48,110,295</u>
2006 (Baht 37 million included in manufacturing cost, and the balance in selling and administrative expenses)							<u>47,173,172</u>

The total area of the subsidiary's plantations amounts to approximately 23,698 rai, of which 9,547 rai is supported by land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). The subsidiary has received possessory rights for the remaining land and is currently in the process of acquiring legal documentation of ownership.

During the year 2006, the subsidiary capitalized borrowing cost amounting to approximately Baht 2 million to be part of costs of plant and machinery. Such borrowing cost is based on interest at rate of 5.93 – 6.83 per annum.

The subsidiary has pledged, the majority of land and buildings thereon and machinery with financial institutions to secure credit facilities granted by financial institutions and letters of guarantees issued by banks. Included in the land is a plot of the subsidiary's land with the total cost of Baht 18.5 million acquired for operation expansion.

As at 31 December 2006, certain plant and equipment items of the Company and the subsidiaries have been fully depreciated but are still in use. The original cost, before deducting accumulated depreciation, of those assets amounted to approximately Baht 761 million (2005 : Baht 666 million) and for the Company amounted to approximately Baht 294 million (2005 : Baht 247 million).

12. RESTRICTED BANK DEPOSITS

These represent fixed deposits pledged with a bank as a collateral for bank guarantees.

13. BANK OVERDRAFTS AND SHORT-TERM LOANS FROM FINANCIAL INSTITUTIONS

(Unit : Baht)

	Interest rate		Consolidated		The Company Only	
	(percent per annum)		2006	2005	2006	2005
	2006	2005				
Bank overdrafts	MOR	MOR	674,193	18,336,425	-	-
Trust receipt	-	5.00 – 5.50	-	3,441,227	-	-
Short-term loans from financial institutions	5.45 – 6.03	3.53 – 5.50	850,900,000	781,150,000	515,000,000	470,000,000
Total			<u>851,574,193</u>	<u>802,927,652</u>	<u>515,000,000</u>	<u>470,000,000</u>

Overdraft facilities and short-term loans from financial institutions of the subsidiaries are secured by the mortgage and pledge of the subsidiaries' land and buildings thereon and machinery, as discussed in Note 11 and are guaranteed by the Company.

14. LONG-TERM LOANS

(Unit : Baht)

	Consolidated		The Company Only	
	2006	2005	2006	2005
Long-term loans	257,165,000	414,430,000	69,650,000	241,550,000
Less : Current portion	(124,232,000)	(212,884,444)	(69,650,000)	(171,900,000)
Long-term loans – net of current portion	<u>132,933,000</u>	<u>201,545,556</u>	<u>-</u>	<u>69,650,000</u>

During the year 2004, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Baht 395 million (credit facilities provided under the agreement amounted to Baht 420 million) to acquire investment in a subsidiary company. The loan is repayable every 6 months in 9 semiannual installments, after a year commencing the first date on which a disbursement of the loan is made and bears interest at the rate of THBFIX plus applicable margin. As at 31 December 2006, the outstanding loan was Baht 69.65 million (2005 : Baht 156.5 million).

During the year 2003, the Company entered into a long-term loan agreement with a local bank and withdrew loan of Baht 370 million (credit facilities provided under the agreement are Baht 600 million) to acquire additional investment in an associated company. The loan is repayable every 6 months in 8 semiannual installments, commencing the first date on which a disbursement of the loan is made and bears interest at the rate of THBFIX plus applicable margin within the applicable period agreed with the bank. The Company repaid the remaining loan during the year 2006.

The subsidiaries entered into long-term loan agreements with a local bank and branches of foreign banks and withdrew loans of totaling Baht 241.5 million (credit facilities provided under the agreements are Baht 315.4 million). The loans bear interest at the rate of 6.61 – 7.75 percent per annum. As at 31 December 2006, the outstanding loans were Baht 187.5 million (2005 : Baht 172.9 million). Long-term loans of the subsidiaries are secured by the mortgage and pledge of land and buildings thereon, and machinery of the subsidiaries and are guaranteed by the Company.

Under the loan agreements, the Company and the subsidiaries have to comply with certain covenants and restrictions normally required by the banks, which include dividend payment policy, and the pledge of assets other than permitted encumbrances.

15. PROVISION FOR LAND RENTAL CHARGE

In 2001, a subsidiary company received notification from the Surat Thani Provincial Treasury Office of the Finance Ministry that the land with an area of 8,600 rai covered by the concession previously granted to the subsidiary company by the Forestry Department was state property, under the jurisdiction of the Ministry of Finance, by virtue of a ruling issued by the Judicial Council. The notice called for the subsidiary company to enter into a land lease agreement commencing 1 January 2001, and also to pay retroactive land rental for the years 1991 to 2000. At present, the subsidiary company is in the process of negotiating with the relevant government agencies. However, for the prudent reasons the subsidiary company has set up a provision for its estimated liabilities in the accounts.

16. RESERVE FOR EMPLOYEE RETIREMENT BENEFIT PLAN

The Company has provided a retirement benefit plan for its employees. Under the plan, employees are entitled to receive upon retirement or reaching specified age stated in the plan upon termination. Reserve is recorded by the Company taking into account the best estimation of the management based on the length of employee service and average remuneration of the employees. During the year 2006, the amount provided in the accounts of the Company amounted to Baht 6.0 million.

17. STATUTORY RESERVE

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5 percent of its net income after deducting accumulated deficit brought forward (if any) until the reserve reaches 10 percent of the registered capital. The statutory reserve is not available for dividend distribution.

18. TREASURY STOCK

	Consolidated		The Company Only	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Number of shares (shares)	-	17,104,400	-	17,104,400
Average price per share (Baht)	-	1.56	-	1.56

A resolution of the meeting of the Company's Board of Directors held on 12 November 2002 approved a reacquisition of shares of the Company in order to manage its excess cash, with a budget of not more than Baht 150 million. Not more than 8.2 million shares, equivalent to 10% of the total issued and paid-up shares of the Company are to be repurchased and these shares are to be sold during the stipulated period from 1 December 2003 to 23 April 2006 (more than 6 months from the date of completing the reacquisition of shares and not more than 3 years). In the event that the Company does not or is unable to dispose of all of the repurchased shares with the specified period, it is to reduce its paid-up capital by writing-off the remaining unsold shares.

On 16 April 2004, the annual general meeting of the Company's shareholders passed a resolution to approve the amendment of the par value of the Company's shares from Baht 10 per share to Baht 1 per share, resulting in the increase in the number of treasury stock of the Company from 8.2 million shares to 82 million shares and the average price is changed from Baht 15.56 each to Baht 1.56 each.

On 14 February 2005, the Securities and Exchange Commission of Thailand (SEC) imposed an official requirement for all listed companies to follow the deliberation of the Judicial Council on the issue of treasury share schemes under Section 66/1(2) of the Public Limited Companies Act B.E. 2535, that the cost of treasury shares as acquired by a public limited company should not exceed its unappropriated retained earnings. The public limited company is also required to set aside a separate reserve account in an amount equal to the cost of the treasury shares. The reserve shall remain outstanding until either the shares are sold or paid-up capital is reduced by cancellation of any remaining unsold shares. The Company had set aside approximately Baht 127.6 million to a treasury stock reserve account according to the SEC's requirement since the first quarter of 2005.

By a resolution of the meeting of the Board of Directors of the Company held on 4 July 2005, the Company was approved to dispose 82 million treasury shares by an offer of sale on the main board of the Stock Exchange of Thailand from 19 July 2005 to 23 April 2006. The Company disposed all treasury shares, of which details are presented below.

- a) During the year 2005, the Company disposed 64.9 million treasury shares with cost of Baht 101.0 million at total price of Baht 109.3 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the excess of the resale price over the carrying amount of treasury shares of Baht 8.3 million as "Premium on treasury stock" in the shareholders' equity.
- b) During the year 2006, the Company disposed 17.1 million treasury shares with cost of Baht 26.6 million at total price of Baht 23.6 million. The resale price took into account the prevailing market price at the time of sale. The Company recorded the lower of the resale price than the carrying amount of treasury shares of Baht 3.0 million as a reduction to "Premium on treasury stock" in the shareholders' equity.

19. NUMBER OF EMPLOYEES AND RELATED COSTS

	<u>Consolidated</u>		<u>The Company Only</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Number of employees at the end of year (persons)	2,913	2,863	495	471
Employee costs for the year (Thousand Baht)	514,315	423,908	213,107	165,816

20. PROMOTIONAL PRIVILEGES

The Company and its subsidiary companies have been granted promotional privileges under the Investment Promotion Act B.E. 2520 as approved by the Board of Investment in respect of manufacture of products as stipulated in the certificate as follows:-

The Company

<u>Certificate No.</u>	<u>Operation</u>
1442/2541	Manufacture of crude palm kernel oil (expired in August 2006)
1179/2543	Manufacture of crude palm oil, crude palm kernel oil and crude coconut oil
1292(2)/2547	Manufacture of margarine or shortening
1478(2)/2547	Manufacture of crude palm oil and palm kernel seed (has not yet begun utilizing the promotional privileges)

Subsidiaries

<u>Certificate No.</u>	<u>Operation</u>
1044/2537	Manufacture of crude palm oil and palm kernel seed (expired in August 2002)
1817/2539	Manufacture of crude palm kernel oil (expired in March 2006)
1331(2)/2546	Manufacture of crude palm oil and palm kernel seed
1043(2)/2548	Manufacture of crude palm oil and palm kernel seed (has not yet begun utilizing the promotional privileges)
2088(2)/2547	Manufacture of fruits and vegetables (has not year begun utilizing the promotional privileges)
2121(2)/2547	Manufacture of fruits and vegetables (has not year begun utilizing the promotional privileges)
2112(5)/2547	Manufacture of frozen fruits and vegetables (has not year begun utilizing the promotional privileges)

The significant privileges include exemption from corporate income tax on income from the promoted operations for a period of eight years, commencing from the date of first earning operating income (except certificate No. 1292(2)/2547, 1478(2)/2547, 1331(2)/2546, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547 and 2112(2)/2547 exemption from corporate income tax on income from the promoted operations for a period of eight years from the date of first earning operating income, up to a maximum of 100 percent of the amount invested, excluding land and working capital).

In addition, income of the Company and its subsidiary derived thereafter from the promoted operations will be subject to income tax at a reduced rate of fifty percent of the normal tax rate for a further period of five years (except certificate No. 1292(2)/2547, 1478(2)/2547, 1331(2)/2546, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547 and 2112(5)/2547).

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2006 and 2005 were as follows :-

(Unit : Baht)

	The Company Only					
	2006			2005		
	Promoted operations	Non-promoted operations	Total	Promoted operations	Non-promoted operations	Total
Sales						
Domestic sales	158,231,406	4,105,923,192	4,264,154,598	81,003,485	3,665,594,188	3,746,597,673
Export sales	-	188,856,957	188,856,957	-	302,083,533	302,083,533
Total sales	158,231,406	4,294,780,149	4,453,011,555	81,003,485	3,967,677,721	4,048,681,206

21. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares in issue during the year.

22. SEGMENT INFORMATION

The Company and its subsidiaries's business operations involve three principal segments (1) manufacture and distribution of palm oil (2) manufacture and distribution of margarine and shortening and (3) manufacture distribution of canned fruits and vegetables. These activities are carried on in the single-geographic area in Thailand. The financial information by segment of the Company and its subsidiaries for the years 31 December 2006 and 2005 were as follows :-

(Unit : Million Baht)

	Consolidated for the year ended 31 December					
	Manufacture and distribution			Eliminated of inter- segment revenues	Total	
	Canned fruits and vegetables segment	Total			2006	2005
Revenue from external customers	4,186	1,118	5,304	-	5,304	5,114
Intersegment revenues	608	300	908	(908)	-	-
Total revenues	4,794	1,418	6,212	(908)	5,304	5,114
Segment income	748	210	958	(3)	955	647
Unallocated income and expenses						
Reversal of allowance for diminution in value of inventories					28	9
Other income					43	31
Selling and administrative expenses					(598)	(513)
Amortization of goodwill					(18)	(17)
Income before interest expenses and corporate income tax					410	157
Interest expenses					(65)	(53)
Corporate income tax					(63)	(27)
Income before minority interests					282	77
Net income attributable to minority interests					(53)	(23)
Net income for the year					229	54

(Unit : Million Baht)

Consolidated as at 31 December

	<u>Manufacture and distribution</u>			Elimination of inter- segment revenues	Total	
	<u>Palm oil segment</u>	<u>Canned fruits and vegetables segment</u>	<u>Total</u>		<u>2006</u>	<u>2005</u>
Property, plant and equipment - net	1,037	398	1,435	-	1,435	1,297
Non-operating land	-	109	109	-	109	109
Other assets	2,595	430	3,025	(1,002)	2,023	1,929
Total assets	<u>3,632</u>	<u>937</u>	<u>4,569</u>	<u>(1,002)</u>	<u>3,567</u>	<u>3,335</u>

Transfer prices between business segments are as set out in Note 7 to the financial statements.

23. PROVIDENT FUND

The Company, its subsidiaries, and their employees have jointly established provident funds in accordance with the Provident Fund Act B.E. 2530. Both employees and the Company and its subsidiaries contributed to the fund monthly at the rates of 2 - 5 percent of basic salary. The Company's fund, which is managed by Thai Farmers Assets Management Co., Ltd., and the subsidiaries' funds, which are managed by Kasikorn Bank Public Company Limited and Siam Commercial Bank Public Company Limited, will be paid to employees upon termination in accordance with the fund rules.

During the year 2006, total amount of approximately of Baht 6.5 million (2005 : Baht 6.4 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 3.5 million had been contributed by the Company (2005 : Baht 3.4 million).

24. DIVIDEND PAID

During the year 2006 and 2005, the Company and its subsidiary had dividend payments as follows :-

	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
(Unit : Baht)			
<u>The Company</u>			
<u>For the year 2006</u>			
Final dividends on 2005 income	Annual General Meeting of the shareholders on 25 April 2006	24,467,943	0.03
Total for the year 2006		<u>24,467,943</u>	

			(Unit : Baht)
	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
<u>For the year 2005</u>			
Final dividends on 2004 income	Annual General Meeting of the shareholders on 26 April 2005	18,450,000	0.025
Total for the year 2005		<u>18,450,000</u>	
 <u>Subsidiary</u>			
<u>For the year 2006</u>			
Final dividends on 2005 income	Annual General Meeting of the shareholders on 25 April 2006	32,405,000	1.00
Interim dividends in respect of income for the period from 1 January 2006 to 30 June 2006	Meeting of the Board of Directors on 10 August 2006	32,405,000	1.00
Total for the year 2006		<u>64,810,000</u>	
 <u>For the year 2005</u>			
Final dividends on 2004 income	Annual General Meeting of the shareholders on 26 April 2005	32,403,300	1.00
Total for the year 2005		<u>32,403,300</u>	

25. COMMITMENTS

As at 31 December 2006, the Company and its subsidiaries had the following outstanding commitments:-

25.1 Capital commitments

Capital expenditure under the agreements and purchase orders for purchase of equipment including services payable in the future amounting to approximately Baht 19.0 million and USD 1.6 million (The Company Only : Baht 4.2 million and USD 0.2 million) and for purchase of fertilisers amounting to approximately Baht 3.6 million.

25.2 Operating lease commitments

As at 31 December 2006, the Company and its subsidiaries had commitments relating to lease and service agreements whereby future payments are required in the following amounts: -

<u>Payable within</u>	<u>Million Baht</u>
1 year	7.8
2 - 5 years	3.8

26. GUARANTEES

26.1 Bank guarantees

As at 31 December 2006, there were outstanding bank guarantees of approximately Baht 12.9 million (The Company Only : Baht 6.7 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performances bonds as required in the normal course of their businesses.

26.2 Corporate guarantees

The Company has issued letters of guarantee to bank to secure credit facilities granted by the bank to its subsidiary as follows :-

	(Unit : Million Baht)	
	Credit facilities	
	2006	2005
<u>Subsidiary</u>		
Universal Food Public Company Limited	180.4	180.4
Total	<u>180.4</u>	<u>180.4</u>

27. CONTINGENT LIABILITIES

27.1 In January 2006, the Company was sued by the Metropolitan Electricity Authority for payment of additional electricity expenses totaling approximately Baht 7.1 million for the 18-month period from 30 June 2002 to 30 November 2003. In October 2005, the Metropolitan Electricity Authority received Baht 2.9 million from the bank which was guarantor for electricity payment, leaving an outstanding payable amount of Baht 4.2 million. In September 2006, the Civil Court judged that the Company was liable for the electric payment of November 2003 of approximately Baht 0.5 million plus interest to the plaintiff. However, the Company countersued to recover the guarantee amount from the Metropolitan Electricity Authority because the Company did not have any outstanding late electricity payments due to the Metropolitan Electricity Authority as per the guarantee issued by the bank, but the claim made was a retrospective claim for additional payments. In October 2006, the Civil Court judged that the Metropolitan refunded the guarantee of Baht 2.9 million plus interest to the Company. At present, these cases are still in the process of appealing to the Appeal Court.

27.2 In 2004, a subsidiary received a letter of invitation from the Agricultural Land Reform Office (ALRO) concerning the issue of land overlapping with ALRO land. On 6 October 2004, the subsidiary attended a fact-finding consultation meeting with the ALRO and handed over various relevant documents for use by ALRO in considering this issue. The end-result of this consideration is not known at this stage.

28. FINANCIAL INSTRUMENTS

28.1 Financial risk management

The Company's and the subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 48 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable, investments, and short-term and long-term loans. The financial risks associated with these financial instruments and how they are managed is described below.

Credit risk

The Company and its subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, in the normal course of business. The Company and its subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company does not have high concentration of credit risk since it has a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of receivables, as stated in the balance sheet.

Interest rate risk

The Company's and its subsidiaries' exposure to interest rate risk relates primarily to their cash at banks, bank overdrafts, short-term and long-term borrowings. However, since most of the Company's and its subsidiaries' financial assets and liabilities are short-term and bear floating interest rates, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2006 classified by type of interest rates are summarised in the table below.

	Fixed interest rate within one year	Floating interest rate	Non-interest bearing	Total	Interest rate (% p.a.)
	(Baht)				
Financial Assets					
Cash and cash equivalents	-	194,680,804	697,769	195,378,573	0.25 - 1.25
Current investment - fixed deposit	83,206,851	-	-	83,206,851	5.13 - 5.25
Restricted bank deposits	-	900,000	-	900,000	0.25 - 0.75
	83,206,851	195,580,804	697,769	279,485,424	
Financial liabilities					
Bank overdrafts	-	674,193	-	674,193	6.75 - 8.00
Short-term loans	-	850,900,000	-	850,900,000	5.45 - 6.03
Long-term loans	-	257,165,000	-	257,165,000	5.93 - 6.50
	-	1,108,739,193	-	1,108,739,193	

Foreign currency risk

The Company's and its subsidiaries' exposure to foreign currency risk arises mainly from trading transactions that are denominated in foreign currencies. The Company and its subsidiaries seek to reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2006 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2006
	(Million)	(Million)	(Baht per 1 foreign currency unit)
US dollar	1.1	0.2	36.0932

Foreign exchange contracts outstanding at 31 December 2006 are summarized below.

Foreign currency	Bought amount	Sold amount	Contractual exchange rate	
			Bought	Sold
	(Million)	(Million)	(Baht per 1 foreign currency unit)	
US dollar	0.5	0.8	37.60	35.60 - 36.59

28.2 Fair values of financial instruments

Since the majority of the Company's and its subsidiaries' financial instruments are short-term in nature or bear floating interest rates, their fair value is not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

29. RECLASSIFICATION OF ACCOUNTS

Certain amounts in the financial statements for the year ended 31 December 2005 have been reclassified to conform to the current year classification, with no effect on previously reported net income or shareholder's equity.

30. SUBSEQUENT EVENT

On 28 February 2007, the meeting of the Board of Directors of the Company No. 2/2007 passed a resolution approving the payment of dividend from 2006 income to the Company's shareholders at Baht 0.20 per share. The payment of dividend will later be proposed for approval in the Annual General Meeting of the Company's shareholders.

31. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2007.