

ANNUAL REPORT 2007

รายงานประจำปี 2550



LAM SOON (THAILAND) PUBLIC COMPANY LIMITED
บริษัท ลำสูง (ประเทศไทย) จำกัด (มหาชน)



www.lamsoon.co.th

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FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

(Unit: Million Baht)

	2005	2006	2007
Total Assets	3,335	3,567	4,333
Total Liabilities	1,606	1,615	2,355
Shareholders' Equity	1,728	1,952	1,979
Sales	5,114	5,295	6,608
Total Revenues	5,155	5,374	6,668
Gross Profit	647	941	940
Net Profit	54	229	181

Financial ratios

(Unit: %)

	2005	2006	2007
Net Profit Margin	1.05	4.32	2.71
Return on Equity	3.27	12.44	9.20
Return on Total Assets	1.53	6.63	4.58

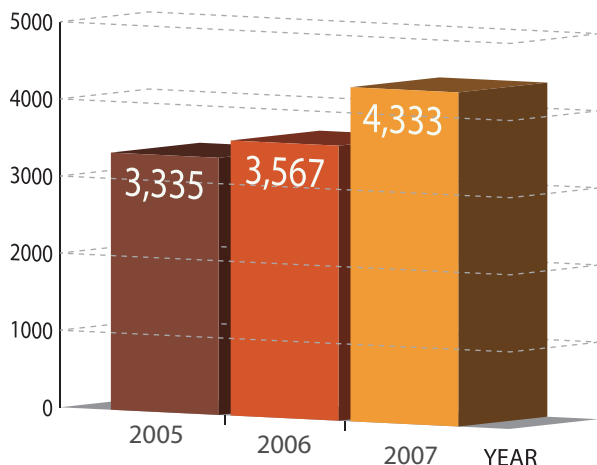
Per share data

(Unit: Baht)

	2005	2006	2007
Earnings per Share	0.07 ⁽ⁱ⁾	0.28 ⁽ⁱ⁾	0.22
Dividend Paid per Share	0.025	0.03	0.20
Dividend per Share (operational year)	0.03	0.20	0.10 ⁽ⁱⁱ⁾
Book Value per Share	1.85 ⁽ⁱⁱⁱ⁾	2.04 ⁽ⁱⁱⁱ⁾	2.02 ⁽ⁱⁱⁱ⁾

Notes: (i) Determined by weighted average number of shares after deducting shares repurchased during the year.
(ii) According to the resolution of BOD meeting on 28 February 08, to be proposed to AGM no. 1/2008.
(iii) Based on the Company only

TOTAL ASSETS
(Million Baht)

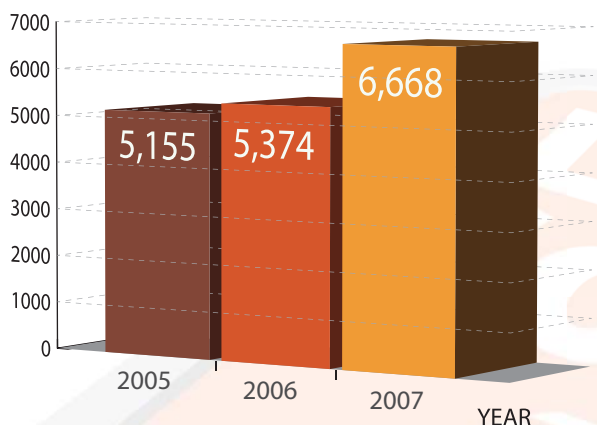


Total assets: increased by 21.48% because:-

- 1) A/R increased to 22.75% of total asset as sales value increased in tandem with the increase in average selling price.
- 2) of an Increase in inventory. Of such increase, only 3.72 million Baht was attributable to the Company itself and 175.12 million Baht to its subsidiary, which received purchase orders from customers at the end of the financial year.
- 3) Fixed assets increased by 15.03%. All such increase belonged to its subsidiaries, arising from the investment in machinery and equipment under BOI expansion projects, as well as replanting programme.

(refer to Page 37 for more detailed discussion)

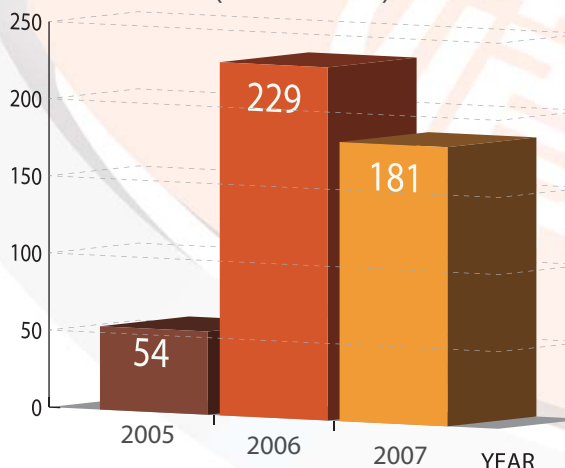
TOTAL REVENUES
(Million Baht)



Total revenues: increased by 1,312.48 million Baht, or 24.79%. At company level, LST sales of its own products increased by 1,309.04 million Baht or 31.81%, deriving from 13.73% increase in sales volume and 18.07% increase in the average selling price. At its subsidiaries, net sales increased by 3.44 million Baht or 0.29% because of local sales driven by new product launch, while export sales fell. Baht currency appreciated by 8.91% against the US dollar from 2006, which adversely affected export sales of two subsidiaries.

(refer to Page 33 for more detailed discussion)

NET PROFIT
(Million Baht)

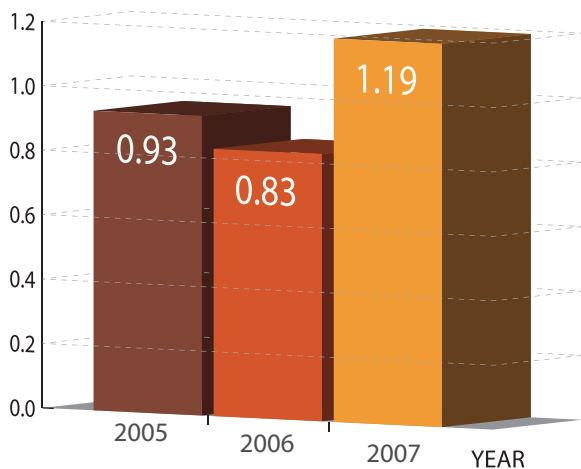


Net profit : Owing to the decrease in GP margin and operating profit margin, the Company and its subsidiaries recorded a 21.01% decrease in net profit or 48.09 million Baht. Net profit margin decreased to 2.71% in 2007 (2006 : 4.26%).

(refer to Page 35 for more detailed discussion)

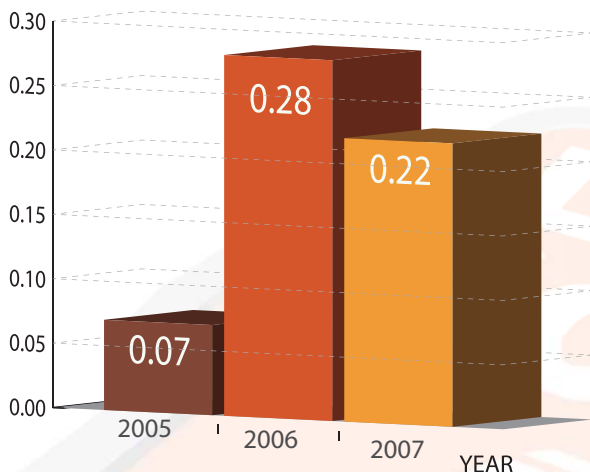
Note : presented by consolidated statements.

**DEBT TO EQUITY RATIO
(Times)**



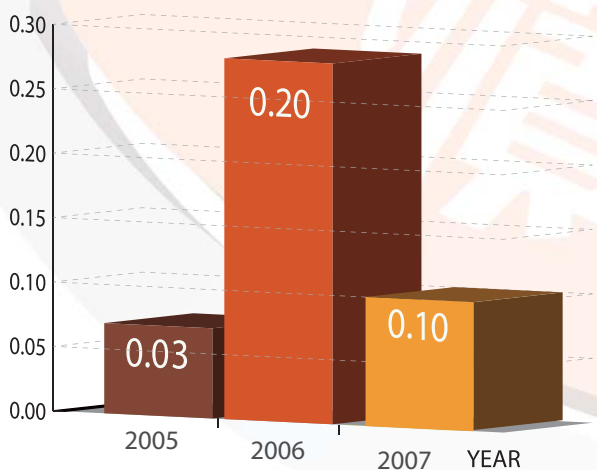
Debt to equity ratio : increased to 1.19 times in 2007 (2006 : 0.83 times), due to increase in short-term loan. The Company required more working capital to finance the purchase of raw material at higher prices.
(refer to Page 39 for more detailed discussion)

**EARNINGS PER SHARE
(Baht)**



Earnings per share (EPS) : was down from 0.28 to 0.22 Baht per share.
(refer to Page 35 for more detailed discussion)

**DIVIDEND PER SHARE
(Baht)**



Dividend per share (DPS) : Pursuant to the resolution of BOD meeting on 28 Feb 08, DPS of 0.10 Baht is proposed to be paid for the financial year 2007, subject to approval at AGM no. 1/2008. This would represent a payout ratio of 53.99% of net profit, in accordance with the Company's policy of paying not less than 40% of its net profit after tax as dividend.
(refer to Page 35 for more detailed discussion)



Mr. Whang Tar Liang
The Chairman

2007 saw vegetable oils increasingly consumed worldwide as bio-diesel. Being a sustainable alternative energy source, bio-diesel is seen to reduce the effect of fossil fuel on World climatic changes. As the price of crude petroleum oil increases, the demand for vegetable oil as substitution energy source has correspondingly increased. As a result, crude palm oil (CPO) price increased sharply from 18 Baht/kg to a new record of 34 Baht/kg in December 2007.

Company's performance: While high CPO price has increased our overall production cost, the selling price of your Company wholesale/retail refined vegetable oil is subject to price control policy by the Internal Trade Department. Thus, in 2007, your Company and its subsidiaries net profit decreased by 21% to 181 million Baht, even though sales revenue increased by 25% to attain a new record at 6,608 million Baht and sales volume increased by 13.73 %.

Production: Your Company plans to invest 220 million Baht to develop and expand production capacity at Company's refinery in Bang-poo Industrial Estate, Samut Prakarn Province by introducing advanced refining technology. Separately, your Company is investing about 50 million Baht in electricity power projects to produce biogas as energy source at its Trang crushing mill. These projects are under the Clean Development Mechanism (CDM) and Carbon Credits Programmes. The projects, which are expected to be operational in August 2008, will produce electricity power for sales to Provincial Electricity Authority. These projects will not only supplement your Company income but also help reduce adverse effect of world climatic changes.

Marketing: In the preceding year, to differentiate ourselves from our competitors in the cooking oil category, your Company has been focusing on the marketing of premium grade vegetable oils, e.g. Camellia oil and olive oil under the "Naturel" brand. Your Company pioneered the marketing of Camellia oil, which is known to reduce harmful cholesterol (LDL) hence reducing the risk of coronary diseases. In 2008, your Company intends to continue in the same direction and invest in advertising programme to promote healthy oil among target customers. In addition, Universal Food Public Company Limited, the Company's subsidiary, launched fresh roasted and ground Arabica coffee in distinctive barrel-shaped can under "UFC" brand. These products target two groups of customer – office people and college student.

In 2007, your Company was proud to receive Best Supplier Service Award for excellent service and support as good partner to YUM by YUM Restaurant International (Thailand) Company Limited. With management team and employees efforts and commitments in all activities as set forth, your Company aims to achieve business success in years to come.

Social and Environmental: Your Company is devoting time and effort to sustain and develop international standards in order to match customer needs and providing the best contribution to consumer, employee, and all stakeholders. In July 2007, your Company was certified by OHSAS 18001 involving safety and health management in workplace. The certificate covers risk control to employee and consequence that may occur in nearby public community. Furthermore, Universal Food Public Company Limited, the Company's subsidiary, is starting organic farming as a pilot project to produce raw material for company's products. The programme is for farmers in surrounding areas in Lampang province, with plans to establish organic farming training



Mr. Somchai Chongsawadchai
Managing Director

centre in 2008.

Your Company has supported various hospitals and health centre by promoting proper edible oil consuming behaviour and physical exercise to prevent acute diseases. In addition, your Company donates its products on a regular basis to schools.

Human Resource and Corporate Culture: People and culture are key factors of your Company's business growth and success. Starting in 2007, your Company has engaged a reputable consultant to train its managers and employees to achieve the long term goal of building up a corporate culture with the following characteristics:

- 1.Accountability
- 2."Can-do" attitude
- 3.Team work
- 4.Continuous improvement
- 5.Take care of people

On behalf of the Board of Directors, management teams, and our employees, I would like to extend our sincere gratitude and appreciation to shareholders, business partners, suppliers, and all concerns for continuing support.



Mr. Whang Tar Liang
The Chairman



Mr. Somchai Chongsawadchai
Managing Director

The Audit Committee comprised the following:

Art-ong Jumsai Na Ayudhya, Ph.D.	Chairman and Independent Director
Preecha Jarungidanan, Ph.D.	Member and Independent Director
Mr. Banchong Chittchang	Member and Independent Director
Ms. Anchalee Suebchantasiri	Secretary and Executive Director

In 2007, the Audit Committee has reshuffled members of the Audit Committee. The new Committee comprises 3 Independent Directors as stated above who have been appointed by the Board of Directors and executed the duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held two meetings within the year, with substantive agenda as follows:

1. Approval of financial statements of the second and the third quarter of 2007, and review of annual financial statements including notes to 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. 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 2007, the Company was found to have exercised an appropriate and effective internal control system, with transparent governance and no material management failures;

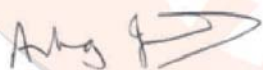
3. Consultative meetings with the management, external and internal auditors in order to make suggestions and practical guidelines for management. The management has subsequently adopted these suggestions to improve the Company's working efficiency;

4. Reports to the Board of Directors the results of the meetings and all activities undertaken by the Audit Committee;

5. 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 2009, including appropriate remuneration and the 2007 annual audit plan;

6. Proposal to the Board of Directors for approval at the 2008 annual general meeting of shareholders, the appointment of Ernst & Young Office Limited to be the statutory auditor of the Company for 2008 including appropriate remuneration;

The Committee concluded that management continued systematically to exercise good internal control and did not find that any relevant statutes and regulations have been contravened.



Dr. Art-ong Jumsai Na Ayudhya
Chairman of the Audit Committee

The Board of Directors of the Company considered the consolidated financial statements of the Company and its subsidiaries, including information as shown in the Annual Report, and concluded that the financial statements have been prepared under generally accepted accounting standards in Thailand. Proper accounting policies have been chosen and have always been consistently adhered to. The financial standards have also been prepared with careful basis using the best estimation. Adequate material information has been disclosed in the notes to the financial statements. The Board has also adopted and maintained an effective system of internal controls in the Company so that we can be reasonably assured that accounting records are accurate, complete and adequate to protect the assets of the Company. These controls are also preventive measures against possible wrongdoing or other significant irregularities in the operations of the Company.

In this regard, the Board of Directors has appointed the Audit Committee responsible for the quality of the Company's financial reports and the internal control systems, as well as other processes to support the financial documents to be prepared under generally accepted accounting standards, including to disclose information transparently.

The Audit Committee considered the operational performance of the Company during the year 2007 and provided the opinion that the Board of Directors and the Management make a great effort to achieve the Company's objectives without finding that any relevant statutes and regulations having been contravened, and attach importance to the effective internal control system and to the adequacy of the risk management. Information system has also been prepared to support the good corporate governance principles. In sum, the overall internal control system of the Company has been at satisfactory level which can assure the credibility of the consolidated financial statements of the Company and its subsidiaries as of December 31, 2007.

The opinion of the Audit Committee with regard to these matters is set out in the Report of the Audit Committee in this Annual Report and the Annual Registration Statement (Form 56-1).



Mr. Whang Tar Liang
The Chairman



Mr. Somchai Chongsawadchai
Managing Director

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. The version of the 15 principles announced in March 2002 has been adjusted and added to be comprehensive and comparable to the Principles of Corporate Governance of the Organisation for Economic Co-operation and Development (OECD). The principles are presented in 5 categories namely, 1) Rights of Shareholders, 2) Equitable Treatment of Shareholders, 3) Role of Stakeholders, 4) Disclosure and Transparency, 5) Responsibilities of the Board

The Company applied such principles based on its own nature of business as follows:-

1. Rights of Shareholders

The Board of Directors shall convene an annual general meeting of shareholders within four months from the last day of the accounting period of the Company. To consider the report of the Board of Directors covering the work done during the preceding year, approving the balance sheets and profit and loss accounts, considering the appropriation of profits, reviewing directors' remuneration and the appropriation of a reserved fund, election of new directors in place of those who must retire on the expiration of their terms, appointment of the auditor and fixing his remuneration.

The Board of Directors may summon an extraordinary meeting whenever it deems appropriate, or shareholders holding shares in aggregate not less than one-fifth of the total number of shares issued, or shareholders numbering not less than twenty-five persons holding shares in aggregate not less than one-tenth of the total number of shares issued, may at any time subscribe their names in a letter requesting the Board of Directors to call an extraordinary meeting, provided that they must clearly give the reasons for such request in the letter. In this case, the Board of Directors shall call the shareholders' meeting within 1 month from the date of receipt of such a letter from the shareholders.

In summoning the shareholders' meeting, the Company shall prepare a notice of the meeting specifying the place, date, time, agenda and the matters to be submitted to the meeting together with appropriate details stating clearly whether they will be for acknowledgement, for approval or for consideration, including the opinions of the Board of Directors on the said matters and shall send the same to the shareholders and a registrar for information not less than 7 days prior to the meeting.

In the shareholders' meeting, the shareholders may appoint another person as their proxy to attend and vote on their behalf. Proxy forms were also sent to shareholders together with the notice. The shareholders may appoint an independent director to be their proxy to attend the meeting on their behalf.

In the shareholders' meeting, there shall be shareholders and proxies (if any) at a number of not less than twenty-five persons holding in aggregate not less than one-third of the total number of shares sold to constitute a quorum. The Chairman of the Board shall be the Chairman of the Meeting. 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. 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. The Company will circulate the draft minutes of the AGM through the Company's website, namely www.lamsoon.co.th, for shareholders to provide their comments before the next shareholders' meeting is arranged.

In 2007, the Company called two Shareholders' meetings as follows:-

1. The Annual General Meeting of Shareholders (AGM) on 25 April 2007. Five directors attending the meeting are all executive directors as during that time, the Company was then recruiting independent directors and members of the Audit Committee, who had resigned at the same time.
2. The Extraordinary General Meeting of Shareholders (EGM) on 24 September 2007. A total of six directors attended the meeting, including four executive directors and two independent directors. An executive director and two independent directors were absent with apologies.

2. Equitable Treatment of Shareholders

The Company respects the rights of all shareholders including majority, minority, individual investors, and institutional investors, to receive the Company's information accurately and in good time, and to have the equal opportunity to participate in shareholders' meetings. It is the Company's intention to disclose all material information accurately, in a transparent and timely manner. 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.

In 2007, the Company held an Extraordinary General Meeting of Shareholders (EGM) to consider and approve the amendment of the Company's Memorandum of Association. In such meeting, the Company prepared in advance ballots for voting in case any shareholder disagreed or abstained, in order to make any such voting convenient and fast.

All directors and management are required to report their securities holding every quarter so that the Board could verify in case of using the Company's sensitive internal information for personal benefit. In addition, the Board has set up appropriate written measures to safeguard the sensitive internal information and document usage.

However, the Company has not yet finished the establishment of the regulation for minority to add agenda before the meeting date. It is expected to be implemented at the shareholders' meeting in 2009 onwards.

3. Role 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 including appropriate return and welfare.
- **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. Further relevant projects being planned for the future include biogas plant to generate electricity under Clean Development Mechanism (CDM) and Carbon Credit Programme. 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. Disclosure and Transparency

The Board of Directors attaches importance to the accuracy and adequacy of the financial reports, information and contents of the annual report including the report of the board of directors' responsibilities for financial statements signified by the Chairman of the Board and the Managing Director (referred to Page 7) to the shareholders and other stakeholders, distributed through the Stock Exchange of Thailand. Starting from 2007, the Company developed its own website, www.lamsoon.co.th, as another channel of information disclosure.

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, by facsimile at 02-361 8988/9, email address: secretary@lamsoon.co.th, or website www.lamsoon.co.th

5. Responsibilities of the Board

5.1 Board Structure

The Company's Board Structure comprises 9 Directors, 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 proportion of shareholdings in the Company.

The previous Chairman of the Board was an independent director as defined by the governing rule of the Stock Exchange of Thailand, having no relation with the management. In 2007, there was a change in independent directors, the previous Independent Directors all having resigned at the same time. At the Board meeting No. 5/2007 on 11 May 2007 it was unanimously resolved to approve the appointment of Mr. Whang Tar Liang, executive director, as the Chairman of the Board.

The Company recognizes that best practice requires 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.

The Company has confidence that the appointment of Mr. Whang Tar Liang as the Chairman of the Board would not create any conflict of interest between the establishment and the execution of policy, which is focused on the benefits to the Company and creating return to shareholders.

At the Board meeting no. 1/2008 held on February 28, 2008, the definition of “Independent Directors” was defined as follows:-

- (a) Holding shares not more than 5 per cent of paid-up capital of the company, affiliated company, associated company or related company;
- (b) Being a director who does not take part in the management of the company, affiliated company, associated company, related company or majority shareholder of the company. Not being an employee, staff member or advisor who receives a regular salary from the company, affiliated company, associated company, related company or majority shareholder of the company;
- (c) Being a director who is not a related person or close relative namely parents, spouse, brothers/sisters, daughters/sons including their spouse of any management member or majority shareholder or management nominated in the future of the company and affiliated company.
- (d) Being a director who has no business relations with the company, affiliated company, associated company, and related company in order to be capable of performing duties, giving opinions or reporting the results of performance of work according to the duties delegated by the Board of Directors free and clear of the control of the management or the majority shareholders of the company.

The above definition of Independent Directors is in accordance with the notification of qualifications of Independent Directors defined by the Securities and Exchange Commission.

5.2 Committees

The Board appointed the Audit Committee consisting of 3 Independent Directors. The committee holds its regular meeting at least once every quarter. In 2007, the committee held 2 meetings due to the change in all independent directors during the year. The committee is responsible for approving the Company’s interim financial reports, and review the Company’s year-end financial reports. In addition, the Committee is responsible for 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 holds a 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.

In 2007, the Audit Committee held 2 meetings, with attendance shown as below:-

Name	Period of Directorship	Attendance / Total Meetings
(1) Art-ong Jumsai Na Ayudhya, Ph.D.	2007-2008	2/2
(2) Preecha Jarungidanan, Ph.D.	2007-2008	2/2
(3) Mr. Banchong Chittchang	2007-2008	2/2

The Board has appointed 2 committees for remuneration and for share allocation. Roles and responsibilities of the two committees have already been determined.

The remuneration committee consisted of 2 independent directors and 1 executive director. In 2007, the remuneration committee held one meeting which all members attended. However, the Board has not yet re-appointed the members of the share allocation committee to replace those who resigned.

The Nomination committee has yet to be appointed. The Board presently assigns each director to seek and propose qualified persons to the Board for consideration.

5.3 Roles and Responsibilities of the Board

5.3.1 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 visions, targets, policy, and 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 for an understanding of the overall picture of the business, in order to supervise and comment on the management in effectively and efficiently executing the Company's policy.

5.3.2 Conflict of Interests

Conflict of interest is supervised by the Board through organisation of the Board and 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 minor 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).

5.3.3 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 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 also institutes a follow-up process and conduct a review and report on compliance on a regular basis.

5.3.4 Controlling System and Internal Audit

The Company attaches importance to the internal control system both at 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).

5.3.5 Risk Management

To attain its objectives, goals and targets, the Company maintains a risk management policy. The management and all relevant employees are required to analyse potential risks in every business phase and process, assess the effectiveness of the existing control measures, and suggest risk mitigation plans. For a detail discussion, please refer to Pages 24 and 40.

5.4 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 agenda of each meeting is 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 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.

In 2007, the Board of Directors held 11 meetings, including 4 regular meetings and 7 extraordinary meetings.



REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The attendance record is as follows:

Name of Director	Period of Directorship	Attendance (Times)		
		Regular	Extra	Total
(1) Mr. Mechai Viravaidya (resigned as of 16 March 2007)	2004-2007	1	2	3
Datuk Simon Shim Kong Yip (replaced Mr. Mechai on 25 April 2007)	2007-2008	2	1	3
(2) Mr. Whang Tar Liang	2007-2010	4	1	5
(3) Mr. Songkram Grachangnetara (resigned as of 16 March 2007)	2006-2009	1	2	3
Dr. Preecha Jarungidanan (replaced Mr. Songkram on 14 June 2007)	2007-2009	2	3	5
(4) Mrs. Saruda Changsiricharoen (resigned as of 16 March 2007)	2005-2008	1	2	3
Mr. Banchong Chittchang (replaced Mrs. Saruda on 14 June 2007)	2007-2008	2	3	5
(5) Mr. Tanatat Puttasuwan (resigned as of 16 March 2007)	2004-2007	1	2	3
Dr. Art-ong Jumsai Na Ayudhya (replaced Mr. Tanatat on 10 August 2007)	2007-2008	1	3	4
(6) Mr. Whang Shang Ying	2006-2009	4	4	8
(7) Mr. Somchai Chongsawadchai	2007-2010	4	7	11
(8) Mr. Ampol Simarojana	2007-2010	4	7	11
(9) Ms. Anchalee Suebchantasiri	2006-2009	4	7	11

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 2007, there was no meeting of non-executive Directors which was not attended by Executive Directors, as the Company had just completed the appointment of new non-executive directors in August 2007.

The Company has not 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 terms 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.

The Company has not set the maximum consecutive terms of directorship for the Company's directors and members of the audit committee, nor determined the policy and regulations of being other companies' directorship for top managements. However, none of the senior managers are presently directors in any other companies, except for the Company's subsidiaries.

5.5 Board Self Assessment

The Board set up Board self assessment based on the evaluation format designed by Corporate Governance Center. Such assessment, being focused not on individual director, was first carried out at the Board meeting No. 1/2008 on 28 February 2008 for the year 2007.

5.6 Remuneration for Directors and the Management

The Board has appointed a committee for remuneration which consisted of 2 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 remuneration committee. For the best interest of the Company, executive's salary, bonus, and other long-term compensation should correspond to the Company's performance and that of each executive.

In 2007, the remuneration of directors and management were as follows:-

- The Chairman and all directors received 2,690,594 Baht (2006 : 3,034,000 Baht) which was paid twice a year in June and December. The Company has paid no other remuneration to directors, except the cost of air-ticket and accommodation for directors residing outside Thailand who attend the meetings, and the cost of director liability insurance for all members of the Board.
- The Company's directors received 2,510,226 Baht (2006 : 2,970,000 Baht) remuneration as directors of subsidiaries.
- Three members of Audit Committee received 595,796 Baht (2006 : 804,000 Baht), which was paid twice a year in June and December.
- The management received 67,166,440 Baht (2006 : 74,937,800 Baht).

Other forms of remuneration include Company's cars and related expenses, medical expense, and accidental insurance.

Persons comprising the management are:		
	2007	2006
Managing Director	1	1
Executive Directors	2	2
Department Managers	6	4
Total	9	7

5.7 Board and Management Training

The Company encourages directors and the management to attend training and seminar relevant to each person on regular basis, especially Director Certificate Programme of Thai Institute of Director Association (IOD), in order to enhance their knowledge and understanding of rules and regulations relating to their directorship of listed companies.

In the case of new directors, the Company arranges factory visit programme for them to understand the business operation of the Company. Four new directors attended such factory visits in 2007.

The Company takes into account the executive development and considers the succession plan by recruiting Management Trainees. The details of such programme, which started in 2007, is presently being worked out.

In addition, in case the Managing Director could not be on duty, it is determined that Department Managers at the level ranking immediately below Managing Director would be responsible on his behalf.



Company Profile

Name of Company	: Lam Soon (Thailand) Public Company Limited
No. of Registration	: 0107538000568 (formerly Bor Mor Jor 579)
Corporate Headquarters	: 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	: 820,000,000 Baht
Outstanding shares (common shares)	: 820,000,000 shares
Par value	: 1 Baht

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

1. United Palm Oil Industry Public Company Limited

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

2. Universal Food Public Company Limited

Corporate Headquarters	: 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 Bhatratone-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, beverage, sauces and seasonings for sale in both domestic and export markets.
Registered Share Capital	: 525,000,000 Baht
Issued and Paid-up Share Capital	: 350,000,000 Baht
Outstanding shares (common shares)	: 35,000,000 shares
Shareholding (common shares)	: 33,876,813 shares or 96.79%

Other references

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

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 : 2

Relations or interests with the Company / the Company's subsidiaries / the management / major shareholders / or any relevant persons of the aforementioned : --None--

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

NATURE OF BUSINESS

Lam Soon (Thailand) Public Company Limited operates a crushing mill and a palm oil refinery. With its refining capacity at 700 tons per day or 255,500 tons per year, it is considered a major player in Thailand. It also sells and markets its product line which 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. Olive Oil
8. Shortening
9. Margarine



Revenue structure (segment analysis)

Product/Services by Group	Operated by	2005		2006		2007	
		Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Vegetable Oil	LST and UPOIC	3,666	71.46	3,734	70.31	5,017	75.72
Margarine & Shortening	LST	394	7.68	426	8.02	459	6.92
Other palm based products	LST and UPOIC	30	0.59	33	0.62	28	0.42
Vegetables and Fruits	LST and UFC ⁽ⁱ⁾	838	16.33	876	16.49	820	12.38
Drinks	LST and UFC ⁽ⁱ⁾	134	2.61	172	3.24	235	3.54
Sauce, Seasonings and other consumer food products	LST and UFC ⁽ⁱ⁾	68	1.33	70	1.32	67	1.02
Total Sales		5,130	100.00	5,311	100.00	6,626	100.00
Less Goods Returned and Trade Discount		(16)		(16)		(18)	
Total Sales - Net		5,114		5,295		6,608	

Note : ⁽ⁱ⁾ On March 1, 2006, LST was appointed as distributor for UFC products in the domestic market.



2007 News Highlights

Corporate Governance :

1. Changes in Chairmanship and all independent directors

On 16 March 2007, the Chairman, an independent director, and all three other independent directors resigned from the Board of Directors. Subsequently within the same year, the Board of Directors unanimously appointed Mr. Whang Tar Liang to be the new Chairman, and four new independent directors as follows:

- 1) Dr. Art-ong Jumsai Na Ayudhya
- 2) Dr. Preecha Jarungidanan
- 3) Mr. Banchong Chittchang
- 4) Datuk Simon Shim Kong Yip

2. Changes in Audit Committee

On 14 June 2007, the Board of Directors unanimously appointed the following two Directors to be members of Audit Committee:

- 1) Dr. Preecha Jarungidanan
- 2) Mr. Banchong Chittchang

Subsequently on 10 August 2008, the Board of Directors unanimously appointed Dr. Art-ong Jumsai Na Ayudhya as another member of Audit Committee. As a consequence, members of Audit Committee compose of:-

- 1) Dr. Art-ong Jumsai Na Ayudhya Chairman
- 2) Dr. Preecha Jarungidanan Member
- 3) Mr. Banchong Chittchang Member

3. Changes in Remuneration Committee

On 10 November 2007, the Board of Directors unanimously appointed the following three Directors to be members of Remuneration Committee:

- 1) Dr. Preecha Jarungidanan
- 2) Mr. Banchong Chittchang
- 3) Mr. Whang Shang Ying

4. Amendment to the Company's Memorandum of Association by adding one objective of the Company

At an Extraordinary General Meeting of Shareholders No. 1/2007 held on 24 September 2007, approval was obtained to amend the Company's Memorandum of Association, Clause 3 by adding one object of the Company, namely item 25: To carry on the business of production and distribution of electricity.

The reason for the amendment was to enable the Company to implement a bio-electricity generating project under the Clean Development Mechanism (CDM) and Carbon Credit Programme.

Production :

5. Electricity power generating from bio-gas project under Clean Development Mechanism (CDM) and Carbon Credit Programme in Trang Province

The Company is implementing the 600-kilowatt electricity power project under Clean Development Mechanism (CDM) and Carbon Credit Programme, valued at about 50 million Baht, and expected to operate commercially and sell electricity power to Provincial Electricity Authority (PEA) in September 2008.

The project has been approved by the Board of Investment (BOI) to qualify for the investment privilege under the Investment Promotion Act by being exempted from corporate income tax from business operation for 8 years.

6. Capacity expansion of Bangpoo refinery project in Samut Prakarn Province

The Company plans to expand the capacity of its Bangpoo refinery. The total investment cost of this project, expected to be commercially operational by late of 2009, is about 220 million Baht.

Approval has already been obtained from the Board of Investment (BOI) for investment privilege under the Investment Promotion Act by being exempted from corporate income tax on business operation of an aggregate value not higher than 100% of investment value (excluding land value and working capital) for 8 years.

7. OHSAS 18001 certification

In 2007, the Company accomplished OHSAS 18001 certification, which is the international standard for occupational health and safety management system. The control measures have been implemented to reduce and control possible hazardous events occurring to our employees and other interested parties. This application not only improves the occupational health and safety performance, but also demonstrated the Company's commitment in being responsible for employees' and social well-being.

Marketing:

8. New products

Besides "Naturel" camellia oil which was launched in late 2006 and which received the positive response from consumers, the Company launched olive oil under the same brand in 2007. There are two variants : Extra Virgin and Organic Extra Virgin. In addition, Universal Food Public Company Limited, the Company's subsidiary, launched fresh roasted and ground Arabica coffee in distinctive barrel-shaped can under "UFC" brand in late 2007, becoming the first player in Thailand to do so.



1. Control of vegetable oil price by Internal Trade Department

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 Thailand in each season as well as world market price for vegetable oils. In particular, the quantity and the price of CPO have a material impact on cost of goods and hence gross margin. In December 2007, CPO price reached a new record of 34 Baht/kg. To minimize such risk, the Management must manage stock position to match cost of raw material with selling price by using their expertise and closely monitoring all source of information to forecast CPO price trend. Given severe competition in the palm oil industry and regulatory control by the Internal Trade Department on price of vegetable oil below 5 liters, the Company may not be able to adjust its selling price to the same extent as the increase in raw material cost. Nonetheless, from November to December 2007, Internal Trade Department had adjusted ceiling retail price on two occasions resulting in retail palm oil price, increasing from 38.50 to 43.50 Baht per 1-Lt bottle (incl. VAT). And most recently, Internal Trade Department further increased bottled palm oil price on 25 January 2008 to 47.50 Baht per 1-Lt bottle for the purpose of subsistence for business owners.

2. Tight Supply of Palm Oil

In 2007, the supply of palm oil tightened due to new demand from bio-diesel and the increase in total CPO crushing capacity. Palm oil price increased remarkably due to new demand of bio-diesel even though the Ministry of Energy contended that palm oil which was used in energy sector was excess supply in the system which normally would be exported.

The last three years also 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 66 CPO crushing mills, most of which are located in Krabi, Surat Thani, Chumporn, and Trang provinces, giving rise to a combined fresh fruit bunch (FFB) processing capacity of 15 million tons per year. On the other hand, the volume of FFB and CPO supplied to the market in 2007 decreased slightly from 2006 by 5.3% and 9.9% respectively. Therefore, there is a serious mismatch between such overall high processing capacity and FFB output from 2.8 million rai growing mature area each year. This has resulted in competition in buying FFB leading to high prices, irrespective of quality.

In order to cope with increasing processing demand, the government's policy to urgently expand oil palm planting areas targeted at 2.5 million rai during 2008-2012. However, oil palm needs at least three and a half years to give crop. Therefore, in situation of tight palm oil supply and high market price, the Government Cabinet resolved on 22 January 2008 to allow the Public Warehouse Organization to import 30,000 tons of Crude Palm Olein by 29 February 2008 under ASEAN Free Trade Association (AFTA).

3. 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 a 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. Impact on the Company will be limited since the Company has good management system with advanced machinery and efficient production. The Company also owns the biggest oil palm planted areas in Thailand. This reduces production cost of the Company to a level where it is competitive with imported palm oil from Malaysia.

4. Palm Oil Price volatility

The monthly average price of CPO in 2007 fluctuated between 18.63 to 31.47 Baht/kg. The average price was 24.45 Baht/kg, or a 55% increase from 2006. 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/kg while the highest was 32.99 Baht), reflecting the volatility of palm oil price. Faced with high cost of sales, the Company has taken steps to mitigate high production cost and reduce business risk by practicing cautious stock management of raw materials and finished products. 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 other countries are closely monitored.



Overview

The productivity per unit land area for oil palm is much higher than that for any other major oil crop, which, combined 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 65% of total vegetable oil in Thailand, and the present value of the industry is estimated at 50 billion Baht.

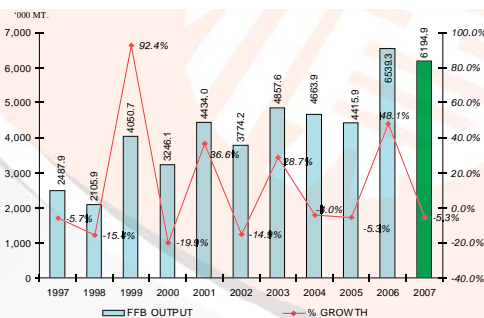
Major palm oil producers are Malaysia and Indonesia, followed by Thailand and Nigeria which respectively produce 17 million tons, 16 million tons, 1.1 million tons, and 0.8 million tons. Malaysia and Indonesia collectively account for produce more than 90% of total amount produced

Oil Palm Harvesting Areas In 2007, there are approximately 2.8 million rai of harvesting areas, which continues to increase. Around 95% of oil palm growing areas are located in Southern Thailand; i.e. Krabi, Surat Thani, Chumporn, and Trang. By comparison, Malaysia and Indonesia has 24 million rai and 20 million rai of oil palm growing areas respectively. The Ministry of Agriculture and Cooperatives aims to increase oil palm planting by 2.5 million rai in order to produce palm oil to meet the demand for Bio-diesel production.

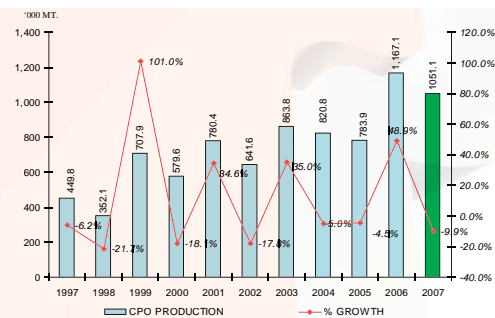
Oil Palm Output and Productivity Oil palm output had decreased slightly by 5.3% to 6.2 million tons in 2007 when compared to 2006; the lowest output was 421,420 tons in June and highest output was 649,598 tons in October. In total, 1,051,089 tons of CPO was produced in 2007, a decrease of 9.9% from 2006. Palm oil stock at end 2007 was 88,916 tons (source : Internal Trade Department) compared to 155,587 tons at end 2006. By these figures, the Kingdom’s average oil extraction rate (OER) in 2007 was 17.0%, lower than in 2006. the annual CPO output totalling more than 1 million tons still remains available due to underlining fundamental factors as follows:

- an increase of harvesting area of young mature palms planted in 2003-2004, even if such palms produce low crop per rai;
- oil palm planted before year 1999 has potentially increased higher productivity, such increase in productivity corresponding to an increase in palm age until it reaches 10 years old.

FFB OUTPUT IN THAILAND



CPO PRODUCTION IN THAILAND



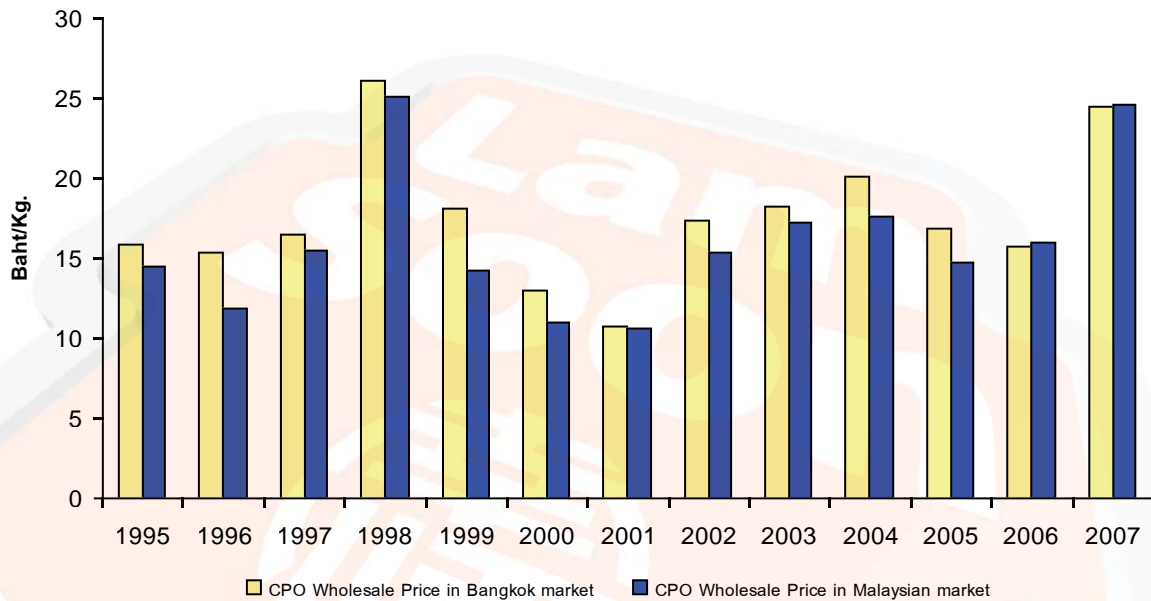
Source: Internal Trade Department

Processing capacity The number of CPO crushing mills has increased from 43 in 1999 to 66 in 2007, giving rise to a current total milling capacity of about 15 million tons of fresh fruit bunch (FFB) per year. On the other hand, the existing 2.8 million rai of oil palm growing area can only produce about 6 million tons FFB per year, corresponding to about 40% 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 Price and Market Condition In 2007, CPO price in world market was significantly higher than that in 2006; the 3rd month Bursa Malaysia derivatives in future market CPO price ranged from a low of 1,856 Ringgit per ton in January to a high of 3,125 Ringgit per ton in December, or an average of 2,418 Ringgit per ton, an 55% increment compared to 1,560 Ringgit per ton in 2006.

Likewise, domestic CPO price had continued to increase since early 2007 and achieve a new record high by the end of the year. Figures from the Internal Trade Department show that in 2007, the monthly average domestic price of CPO fluctuated between 18.63 - 31.47 Baht/kg (2006: 14.20 – 18.31 Baht/kg), and the monthly average domestic price of FFB fluctuated between 3.27 – 5.54 Baht/kg (2006: 2.05 – 3.33 Baht/kg). The annual average price of FFB and CPO was 4.24 and 24.45 Baht/kg (2006: 2.69 and 15.77 Baht/kg). It shows that an average price of FFB and CPO in 2007 had increased from 2006 by 57.62% and 55.04%.

COMPARISON OF CPO WHOLESALE PRICE BETWEEN BANGKOK AND MALAYSIAN MARKET



Sources : Agricultural Economic Research ; LST management estimate

Palm Oil Production and Price Outlook for 2008

Total domestic FFB produced in 2008 was forecast to be at least 7.4 million tons or equivalent to 1.30 million tons of processed CPO. This represents an increase from 2007 of about 15%. The estimated increase in productivity has benefited from optimal volume and distribution pattern of rainfall in 2006-2007 as mentioned previously. FFB output will be moving upward from January until May before decreasing until September, then rising again progressively to the end of the year. Of total FFB in the first half of the year, 60% will be from mostly oil palm of 8 and over 15 years old; and another 40% obtained in the second half will be achieved from oil palm planting of 9-14 years old.

Though FFB and CPO volume in 2008 is expected to be higher than that in 2007, the average palm oil price could be increasing because of new demand of bio-diesel production explained in more detail below. In this connection, an important factor is petroleum fuel price. Given the announcement by Organization of the Petroleum Exporting Countries (OPEC) on 5 December 2007 not to expand its production capacity, the price of petroleum fuel could remain high and likely to stay above 100USD/barrel in 2008. If so, the annual average world market price of CPO could be expected to remain high, reaching over 2,800 Ringgit per ton. In such a scenario, the annual average domestic CPO price will be not lower than 28 Baht/kg and FFB price 4.50-5.00 Baht/kg.

Growth Trends in the Palm Oil Industry

1. Bio-diesel

The trend in global environment sustainability and reaction against Global Warming is growing. The State's policy is to give priority to bio-products over petrochemical products. Bio-diesel has therefore become an alternative source to petroleum fuel. The Ministry of Energy has made it mandatory for all fuel sellers in the Kingdom to sell "B2" bio-diesel instead of ordinary diesel fuel with effect from 1 February 2008, whereby 2% of B100 bio-diesel has to be added into Diesel fuel. This measure, part of urgent energy substitution programme, will boost bio-diesel production demand to about 1.2 million liter per day, or the equivalent of 300,000-400,000 tons of CPO per year.

To date, Thailand produces approximately 1,000,000 tons of palm oil per year but consumes only 800,000 – 850,000 tons 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 bio-diesel usage in the Kingdom at 3% by 2011. In using palm oil for bio-diesel production, the major constraints are volume and price. 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 with the demand for bio-diesel.

As a consequence, to fast drive the production and utilization of bio-diesel, it is necessary to take into the account demand and supply of raw material in the system, so as to stabilize the price of palm oil for consumption.

2. The industry of oil palm seed and seedling production

Steadily rising FFB price will logically attract growers to proper planting material, efficient fertilization, soil and water conservation, standard harvesting practice, and ultimately high productivity. Furthermore, oil palm growing areas is expected to expand as rubber is replanted with oil palm.

The production of quality oil palm seed and its seedling in the up-stream industry is the key factor to 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 outside the south 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. However, research and development of outstanding planting material has taken more than 30 years to investigate yield through out the growing generation.

3. Utilization of factory waste and by-product

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 would not only cut disposal expenses but reduce environmental pollution. Therefore, state organization such as Energy Ministry has provided financial support and technical advice to encourage usage of biomass as current source of electricity and production of biogas from crushing mill waste water. The crushing mill 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 crushing mills, will expand in the near future by using their residual waste materials from production as bio-fuel for steam boiler in the crushing mill as a substitute for petroleum fuel.

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 reduce its carbon dioxide 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.

4. Future development of the 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 to downstream applications of oil palm in related industries. The palm oil industry can then develop a variety of value-added palm-based products and utilizations.

As explained earlier, the palm oil industry has the potential capability to make use of biomass and biogas 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 measures have to be adopted to achieve efficiency improvement in energy and environment management. In addition, the state government has urgently supported oil palm planting project to produce bio-diesel as a substitute energy source. In the near future, consumed demand of CPO is expected to increase to about 300,000 tons per year after the government made it compulsory to use "B2" Bio-Diesel since February 2008. 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.

Competition

Thailand currently faces a shortage of FFB, with its 66 crushing mills having low average utilization 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 Kingdom. It may need more time for the market to reach equilibrium before it is ready to further develop downstream industries such as biochemical and Bio-diesel industry in particular.

Another uncontrollable factor, namely weather condition, has a direct impact on volume of FFB to be supplied to the market in every season. External factors determining domestic CPO price include world market price and the price of other substitutable vegetable oils and, increasingly, petroleum fuel price as well.

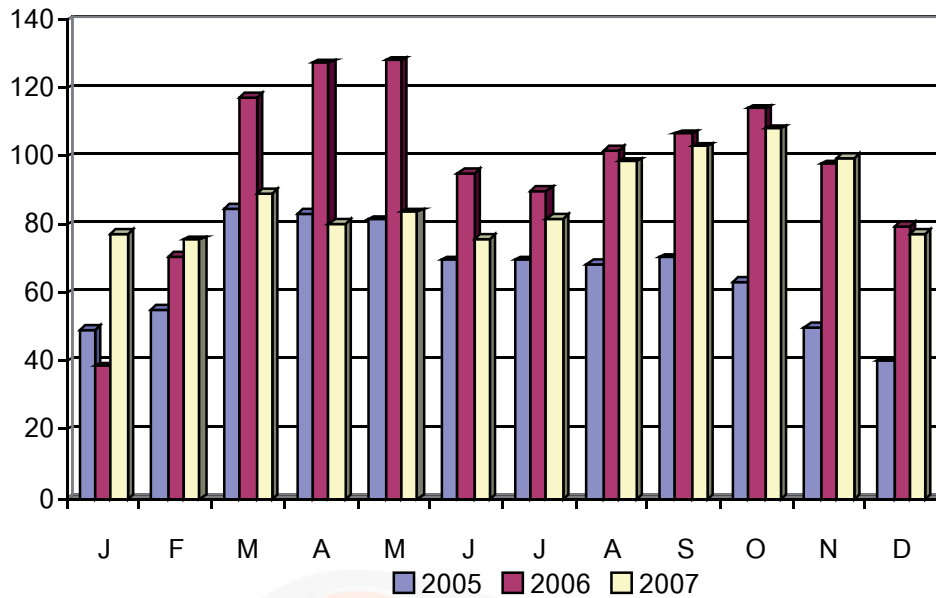
Since 1 January 2003, the import tax of palm oil under ASEAN Free Trade Association (AFTA) has been lowered to 5%. However, such import is only allowed under supervision by Public Warehouse Organization, which has not given any clear directions as regards implementation. At the end of 2007, Thailand was faced with tight supply of palm oil. Therefore, on 22 January 2008 the Government Cabinet resolved to allow the Public Warehouse Organization to import 30,000 tons of Crude Palm Olein within 29 February 2008 under AFTA to ease the situation. In the event of continuing FFB shortage, especially given strong support of the production of bio-diesel as an alternative energy in the Kingdom, the Government might finally allow more import of palm oil under AFTA.

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

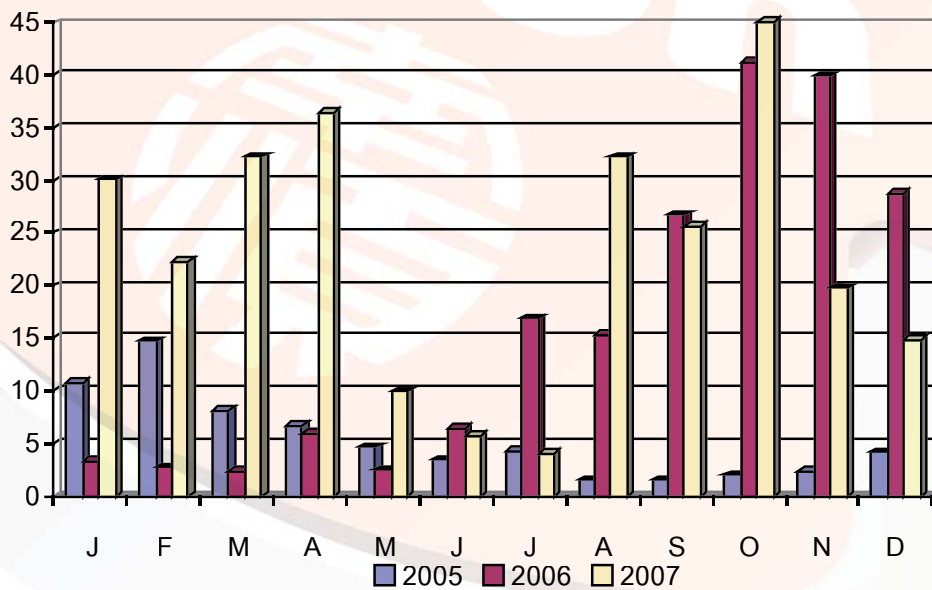
1. Most of oil palm planting comprises small holding areas that are incapable of modern management practice. As a result, harvesting yield is low and production cost is relatively high.
2. The location of crushing mills does not correspond with optimal coverage palm oil area and strive for FFB purchase, thus driving up transport cost and FFB price. Furthermore, this encourages private transport ramps to be established as middle agent to buy FFB from growers and resell to crushing mills. Currently, there are about 400 such private transport ramps nationwide.

PERFORMANCE OF CRUDE PALM OIL IN THAILAND 2007
(Source : Internal Trade Department)

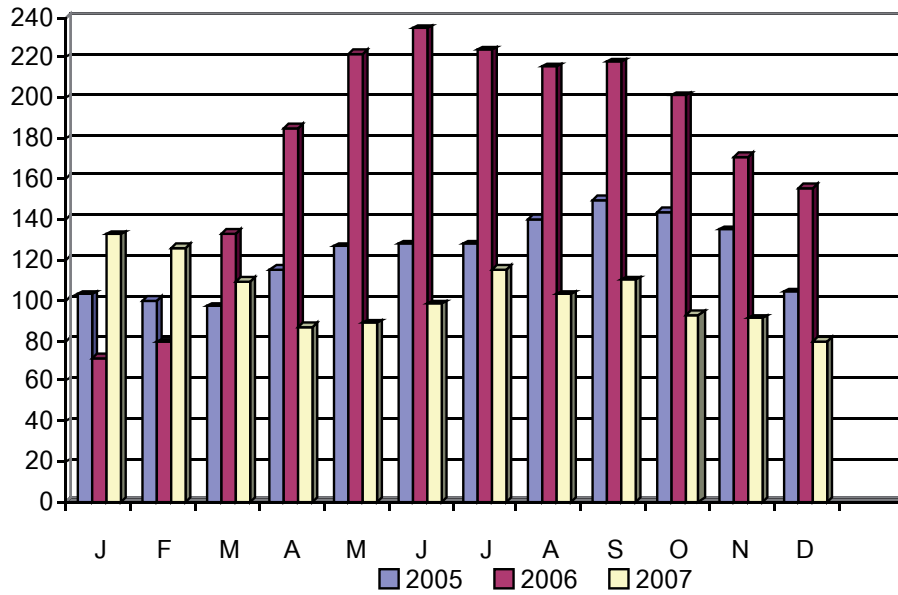
PRODUCTION OF CRUDE PALM OIL
('000 tons)



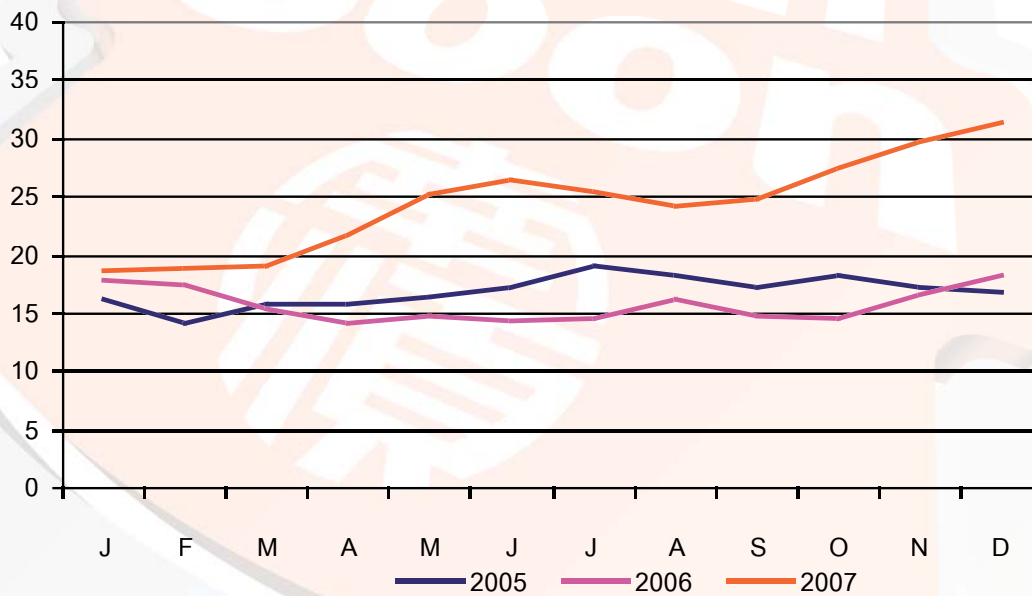
EXPORT OF PALM OIL
('000 tons)



CLOSING STOCK OF PALM OIL
(‘000 tons)



LOCAL DELIVERED CRUDE PALM OIL PRICE
(Baht/kg)



Financial performance analysis and explanation

1. Operating results

For reasons explained in detail earlier (see PALM OIL INDUSTRY AND COMPETITIVENESS), domestic average CPO price increased from 15.77 Baht/kg in 2006 to 24.45 Baht/kg or by 55.04%. This increased the Company's costs of sales as a percentage of total sales from 87.76% in 2006 to 92.58% or an increase of 39.52%, while sales value increased by 32.26%. The increase in CPO price also had a substantial effect on an average selling price of the Company itself, as CPO is the major raw material accounting for 80% of total cost. Although selling price was raised from time to time in order to follow the uptrend cost, it was still not enough to compensate for the ever-widening gap. The average selling price of the Company increased by only 17.68%. Moreover, price increase is constrained by the fact that the price of bottled palm oil is controlled by the Internal Trade Department.

For its subsidiary UPOIC, the price of purchased FFB in 2007 increased by 69.5% from 2006. As such, the subsidiary reduced purchasing outgrower crops by 71.2%. The FFB volume of total processed also reduced by 35.1%. The Company's own FFB compared to purchased FFB was in the proportion at 84:16, compared with 64:34 in 2006. Such reduction of purchased FFB decreased the costs of sales as a percentage of total sales to 50.01% from 66.6% in 2006.

Due to the above-mentioned factors, net profit of the Company and its subsidiaries decreased from 2006 by 48.09 million Baht or 21.01% to 180.84 million Baht. Net profit margin in 2007 was 2.74%, compared with 4.32% in 2006.

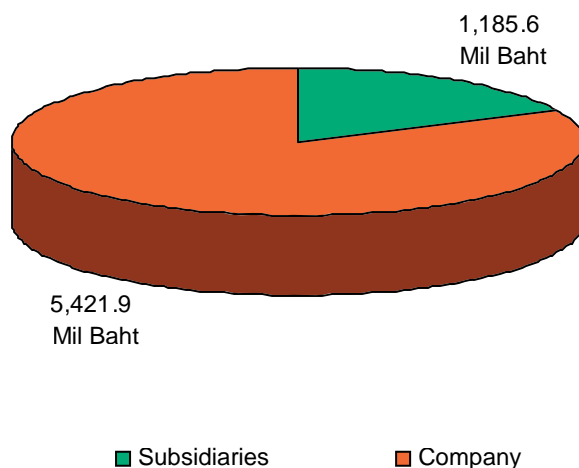
Other major components and changes in consolidated financial statements are as follows:-

Revenues

Revenue from sales:

	(Mil.Baht)			(%)
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Segment</u>
LST	4,048.68	4,114.61	5,421.93	82.06
Subsidiaries	<u>1,065.58</u>	<u>1,180.41</u>	<u>1,185.57</u>	<u>17.94</u>
Total	<u>5,114.26</u>	<u>5,295.02</u>	<u>6,607.50</u>	<u>100.00</u>

Sales Contribution of Lam Soon Group : Company / Subsidiaries (2007)



Net Sales under LST and its subsidiaries increased by 1,312.48 million Baht or 24.79%. At company level, LST registered sales of its own products increasing by 1,309.04 million Baht or 31.81%, deriving from 13.73% increase in sales volume and 18.08% increase in the average selling price.

At its subsidiaries, net sales increased by 3.44 million Baht or 0.29%. Local sales rose, driven by new product launched, on the other hand export sales fell due to unfavorable exchange rate. The Baht appreciated against the US dollar by 8.91% from 2006, which adversely affected two subsidiaries whose export sales accounted for 35.01% and 88.66% of their respective total sales.

Other revenues: Revenues other than those generated by normal operation valued at 60.44 million Baht or 0.91% of total revenues, an increment of 9.13 million Baht or 17.79%. This represented an increase of the Company at 4.96 million Baht deriving from FOREX gain amounting to 3.82 million Baht and gain on fixed assets disposal at 1.01 million Baht.

Apart from above, other revenues of its subsidiary increased by 4.17 million Baht. These were derived from:-

- a reversal of allowance for stock obsolescence valued at 2.24 million Baht, most of which was the allowance for machinery spare parts as at the end of 2005. However, after inspection, it was found that those spare-parts could be utilized;
- income from selling scrap valued at 1.93 million Baht.

Cost of sales and expenses

Cost of sales: In 2007 the Company and its subsidiaries recorded cost of sales at 85.77% of total sales (2005 : 82.23%) because CPO price increased by 54.92%. Although price of cooking oil, margarine and shortening sold by your Company was raised from time to time in order to follow the uptrend cost, it was still not enough to compensate the gap. Thus, cost of sales of the Company itself increased from 87.76% in 2006 to 92.58% in 2007.

Such increase in CPO price also caused the average selling price of its plantation subsidiary to increase by 46%. Furthermore such subsidiary reduced its purchase of outgrower crop by 71.2%. As such, the cost of sales dropped from 66.6% in 2006 to 50% in 2007.

Selling and administrative expenses (S&A) : S&A expenses in 2007 was 615.09 million Baht (2006: 592.17 million Baht), increasing by 22.92 million Baht or 3.87%. Most of the increase came from the Company itself, amounting to 36.19 million Baht or 10.21%, and relates to selling expenses, A&P, and transportation expenses in connection with being appointed as the distributor of a subsidiary's product in the domestic market. In addition, export sales increased two-fold to 8.83% of total sales in 2007 (2006 : 4.23%) adding to export-related expenses.

Interest expense: Interest expense in 2007 was recorded at 62.48 million Baht, a decrease of 2.50 million Baht or 3.85% from the previous year. Of such amount, 1.99 million Baht was attributed to LST, and 0.51 million Baht to its subsidiary. Although the Company and its subsidiary borrowed more from financial institutions, the lower interest rate in 2007 compared with 2006 led to a reduction in interest expense.

Profits

Gross profit (GP) : Although sales of the Company and its subsidiary increased by 24.79%, the cost of sales increased by 30.17%. Accordingly, GP margin dropped to 14.23% in 2007 (2006 : 17.77%).

Operating profit: Both GP margin and S&A expenses of the Company and its subsidiary dropped by 3.54% and 3.87% respectively, while operating profit decreased by 43.72 million Baht or 10.65% from 2006. This was because in 2006 its subsidiary recorded a reversal of allowance for diminution in inventory value, being the provision of the inventory value as of 2005 being less than the market price. As such, operating profit margin dropped to 5.55% (2006:7.74%).

Net profit: Owing to the decrease in GP margin and operating profit margin as stated above, the Company and its subsidiaries recorded a decrease in net profit of 48.09 million Baht or 21.01%. Net profit margin decreased to 2.71% in 2007 (2006 : 4.26%).

Dividend payout ratio: In 2007 LST itself paid dividend for the financial year 2006 at the rate of 0.20 Baht per share representing a payout ratio of 90.91% of net profit (2006: 0.03 Baht per share, representing a payout ratio of 42.85% 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 2007.

In 2007 its subsidiary paid interim dividend for the last six months of the 2006 financial year at the rate of Baht 2.0 per share. Combining with the 1.0 Baht per share interim dividend for the first six months of 2006, the total dividend paid for the 2006 financial year amounted to 3.0 Baht per share, representing a payout ratio of 65.79% of net profit.

In the 2007 financial year, its subsidiary paid an interim dividend for nine-month period of 2007 at the rate of 3 Baht per share.

Book value (weighted average): As at December 31, 2007, the book value per share of LST was 2.02 Baht (weighted average number of shares at 820 million shares), a slight decrease compared to 2.04 Baht in 2006 (weighted average number of shares at 816.65 million shares), owing to the decrease in net profit and the increase in weighted average number of share. The Company resold its entire treasury stock in 2006, which increased the weighted average number of shares in 2007 when compared with 2006



2. Financial status

Assets: At the end of 2007, the asset value of the Company and its subsidiaries was 4,333.40 million Baht, an increase of 766.29 million Baht or 21.48% compared with 2006. The major reasons are as follows:-

- **Cash and cash equivalent** was 326.21 million Baht at the end of 2007, increasing 47.63 million Baht or 17.10% from 2006. This was mainly attributable to the Company itself whose cash increased by 82.65 million Baht, because the Company received payment of goods at the last working day of the year 2007 amounting to 40 million Baht. On the other hand, cash of its subsidiary reduced by 35.02 million Baht due to the dividend paid and the investment in plant and machinery.

- **Trade accounts receivable (A/R) - unrelated party** of 985.82 million Baht was recorded by the Company and its subsidiaries as at the end of 2007 (after an allowance for doubtful debt), accounting for 22.75% of total asset (2006: 586.45 million Baht, accounting for 16.44% of total assets). Such increase in A/R. This was mainly attributable to the Company itself whose sales value increased for the reason referred to earlier.

However, postdated cheques and trade A/R (less than 3 months) accounted for 99.36% of net trade A/R-unrelated party of 2007. The Company already set the allowance for doubtful accounts as high as 91.71% of the value of A/R aging more than 12 months and returned cheques.

- **Inventory** was worth 1,029.98 million Baht as at the end of 2007, or 23.77% of total assets, increasing by 178.84 million Baht when compared with 851.15 million Baht, or 23.86% of total assets in 2006. Of this amount, only 3.72 million Baht was attributable to the Company itself while 175.12 million Baht to its subsidiary. This was because its subsidiary received purchase orders from customers at the end of the year.

- **Other current assets** in the Company and its subsidiary as at the end of 2007 increased by 9.7 million Baht from 2006. Such increase was mainly derived from subsidiaries such as VAT refund (3.63 million Baht) and deposit of machinery payment under expansion project (9.98 million Baht).

- **Other long-term investment:** of the Company and its subsidiaries decreased by 8.55 million Baht. In 2007 the closing price of securities available for sale was higher when compared with 2006 so its subsidiary sold some shares giving rise to a gain of 0.24 million Baht which was recorded under other income.

- **Land, buildings, machinery and equipment:** As at the end of 2007, the net value of fixed assets increased by 215.75 million Baht or 15.03% from 2006, attributed to its subsidiary. Most of this came from the investment in machinery and equipment under BOI expansion projects, as well as replanting programme.

- **Non-operating land:** as at the end of 2007 decreased by 52.69 million Baht because its subsidiary developed and utilized the land as a new planting area to be a source of raw material of its own factory.

3. Source of Fund

Structure of Fund: Under the consolidated financial statements, source of fund comprised 2,354.61 million Baht of liabilities and 1,978.80 million Baht from shareholders' equity, in the ratio of 54.34 : 45.66 respectively. Of the said amount of liabilities, bank loans amounted to 1,706.93 million Baht or 72.49% of total liabilities, comprising short-term loan at 1,574.00 million Baht (66.85%) and long-term loan at 132.93 million Baht (5.65%). The ratio of debt to equity was 1.19 times at the end of 2007. Further details are set out below:-

- **Shareholders' equity:** increased by 27.08 million Baht or 1.39% at the end of 2007. because of net profit of the Company and its subsidiaries.

- **Liabilities:** At the end of 2007, the Company and its subsidiaries had :-

(a) short-term bank loan of 1,574.00 million Baht (being unsecured but subject to a negative pledge), of which:-

- i. 467 million Baht was extended to a subsidiary;
- ii. 1,010 million Baht was extended to the Company, which increased by 96.12%. The Company needed more working capital to support inventory and A/R due to raw material price increasing

(b) long-term liabilities amounted to 132.93 million Baht of which:-

- i. loan of 61.86 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 71.07 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.

Financial liquidity

In 2007, the Company and its subsidiaries had more financial liquidity than 2006 as cash on hand and cash equivalents increased by 130.83 million Baht to 326.21 million Baht in 2007 (2006 : 195.38 million Baht). The main factors for changes in cash flow from operating, investing, and financing activities were as follows:-

Cashflows from operations: In 2007, the Company and its subsidiaries recorded net cash used in operating activities at 43.77 million Baht while in 2006 enjoying net cash received from operating activities at 467.65 million Baht. This was because in 2007, trade accounts receivable-unrelated parties increased due to an increase in average selling price and hence sales value. In addition, its subsidiary had high inventory of products whose crop season being the end of the year.

Cashflows from investing activities: In 2007, the Company and its subsidiaries recorded net cash used in investing activities at 208.61 million Baht (2006 : 405 million Baht). This was because in 2006, its subsidiary allocated cash to invest in longer term financial instrument while none for 2007 as short-term instruments provided better return.

Cashflows from financial activities: In 2007, the Company and its subsidiaries recorded net cash received from financial activities at 383.22 million Baht while in 2006, had net cash used in financial activities at 135.82 million Baht. The main reasons were as follows:-

- The Company borrowed more short-term loan for working capital purposes due to higher raw material price;
- There was an increase in the interim dividend for 2007 paid by its subsidiary.

Financial ratios

Current ratio decreased to 1.07 times (2006:1.2 times) because its subsidiaries invested in plants, equipments, and machineries under BOI expansion project. In addition, its subsidiary paid a higher interim dividend than in 2006, reducing cash and cash equivalents.

Quick ratio was maintained at 0.59 times, the same as in 2006.

Return on total assets decreased to 4.58% in 2007 (2006 : 6.63%). as net profit decreased by 21.01%, whereas total assets increased by 21.48%.

Return on total equity decreased to 9.20% in 2007 (2006 : 12.44%). as net profit decreased while its subsidiary paid more dividend.

Total debt to equity ratio increased to 1.19 times in 2007 (2006 : 0.83 times), due to increase in short-term loan obtained for working capital purposes.

Accounts receivable turnover was 8.38 times in 2007 (2006 : 8.72 times). The average collection period was 43 days in 2007 compared with 41 days in 2006.

Inventory turnover (finished goods only) was 13.19 times in 2007 (2006 : 10.93 times), and inventory turnover period decreased to 27 days (2006 : 33 days).

Accounts payable turnover was 21.98 times in 2007 (2006 : 23.90 times); average payment period was at 16 days (2006 : 15 days).

4. Capital Expenditure

In 2007, the Company and its subsidiaries invested to improve and to expand the production capacity of their various plants namely:-

The Company

- for expansion of CPO production at its crushing mill in Trang (carried forward from 2006).
- project of empty fruit bunch (EFB) treatment to recover oil loss in EFB (carried forward from 2006).
- Biogas project (new project of 2007)

Subsidiaries

- oil palm seed propagation project in Krabi (long-term project which is expected to generate output in 2014)
- for expansion of CPO production at its crushing mill in Krabi (carried forward from 2006).
- project of empty fruit bunch (EFB) treatment to recover oil loss in EFB. (carried forward from 2006).
- Biogas and Biomass projects (new project of 2007).
- replanting programme of 450 hectares per annum started from 2001 and which will last 10 years. Replanted oil palms will produce FFB from the age of 2.5 years onwards and will generate high volume of FFB from the age of 7 years onwards.
- capacity expansion project of canned fruits and vegetables in Lampang and Nakorn Pathom (carried forward from 2006).

All the above mentioned projects, except for the replanting programme, have qualified for investment privilege under the Investment Promotion Act administered by Board of Investment (BOI).

Capital Expenditure Plans

Capital expenditure in 2008 will be mostly for projects carried forward from 2007 as set out above. In another project, the Company and its subsidiary are planning to implement the electricity generation project under bio-gas system by using waste water 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.

In a new project for 2008, the Company also plans to expand the capacity in 3 sections of its Bangpoo refinery including refinery, fractionation, and oil packing. The total cost of such expansion is budgeted at about 220 million Baht. This project is expected to be commercially operational in late 2009

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. In December 2007, CPO price reached a new record 34 Baht/kg. To minimize such risk, the Management must manage stock position to match cost of raw material with selling price by using their expertise and closely monitoring all source of information to forecast CPO price trend. Given severe competition in palm oil industry and regulatory control by the Internal Trade Department on selling price of vegetable oil below 5 liters, the Company may not be able to adjust the product price to the full extent of the increase 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 uncompetitive compared to Malaysia continue to be protected. This results in higher raw material cost for 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.

Remuneration of statutory auditor

1) Audit Fee

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

	2007	2008
- for the Company	1,400,000 Baht	1,480,000 Baht
- for 2 subsidiaries	1,660,000 Baht	1,870,000 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 2008 amounting to 120,000 Baht for the Company and 220,000 Baht for its two subsidiaries.



Shareholders

As at 20 December 2007, 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⁾	42.11
2. Hap Seng Consolidated Berhad ⁽ⁱⁱ⁾	20.00
3. CIMB-GK Securities Pte Ltd	12.30
4. Lam Soon Cannery Pte Ltd. ⁽ⁱⁱⁱ⁾	7.48
5. Mr. Somchai Chongsawadchai	1.98
6. Thai NVDR Co., Ltd.	0.93
7. Kasetsamut Co., Ltd.	0.85
8. HSBC Private Bank (Suisse) SA	0.64
9. Mr. Suraphan Pattanapitoon	0.49
10. State Street Bank and Trust Company	0.37

Source : Thailand Securities Depository Co., Ltd.

Note :

⁽ⁱ⁾ Lam Soon Holding Co., Ltd. is an investment holding company. As at 31 December 2007, 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 (owns 0.34% shares in LST)	24.50
3. Mr. Whang Shang Ying (owns no shares in LST)	24.50

⁽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 Stock Exchange in Malaysia namely Bursa Malaysia Securities Berhad. Gek Poh (Holdings) Sdn Bhd is the major shareholder of Hap Seng Consolidated Berhad whose aggregate shareholdings is 61.48% comprising direct and indirect shareholdings of 57.31% and 4.17% respectively.

⁽ⁱⁱⁱ⁾ Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2007, its shareholders are as follows:-

SHAREHOLDERS AND MANAGEMENT

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%.



Board of Directors and Management Committee

1. The Composition of Board of Directors and Committees

- Board of Directors	
(1) Mr. Whang Tar Liang	Chairman of Board of Directors and Executive Director
(2) Art-ong Jumsai Na Ayudhya, Ph.D.	Independent Director and Chairman of Audit Committee
(3) Preecha Jarungidanan, Ph.D.	Independent Director and Member of Audit Committee
(4) Mr. Banchong Chittchang	Independent Director and Member of Audit Committee
(5) Datuk Simon Shim Kong Yip	Independent Director
(6) Mr. Whang Shang Ying	Executive Director
(7) Mr. Somchai Chongsawadchai	Managing Director
(8) Ms. Anchalee Suebchantasiri	Executive Director and Finance Manager
(9) Mr. Ampol Simarojana	Executive Director and Factory Manager
- Audit Committee	
(1) Art-ong Jumsai Na Ayudhya, Ph.D.	Independent Director and Chairman of Audit Committee
(2) Preecha Jarungidanan, Ph.D.	Independent Director and Member of Audit Committee
(3) Mr. Banchong Chittchang	Independent Director and Member of Audit Committee
(4) Ms. Anchalee Suebchantasiri	Secretary to Audit Committee
- Remuneration Committee	
(1) Preecha Jarungidanan, Ph.D.	Independent Director and Chairman of Remuneration Committee
(2) Mr. Banchong Chittchang	Independent Director
(3) Mr. Whang Shang Ying	Executive Director
- Share Allocation Committee	
	After the former independent directors resigned, the Board has not yet appointed new independent directors as members of share allocation committee.

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.

3. The Number of Board Meetings and the Attendance of Directors

In 2007, the Board of Directors held 11 meetings, with attendance shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Whang Tar Liang	5/11
(2) Art-ong Jumsai Na Ayudhya, Ph.D. (Effective on 10/8/07)	4/4
(3) Preecha Jarungidanan, Ph.D. (Effective on 14/6/07)	5/5
(4) Mr. Banchong Chittchang (Effective on 14/6/07)	5/5
(5) Datuk Simon Shim Kong Yip (Effective on 25/4/07)	3/7
(6) Mr. Whang Shang Ying	8/11
(7) Mr. Somchai Chongsawadchai	11/11
(8) Mr. Ampol Simarojana	11/11
(9) Ms. Anchalee Suebchantasiri	11/11
Directors who resigned their directorship during the year	
(1) Mr. Mechai Viravaidya (resigned as of 16 March 2007)	3/3
(2) Mr. Songkram Grachangnetara (resigned as of 16 March 2007)	3/3
(3) Mrs. Saruda Changsiricharoen (resigned as of 16 March 2007)	3/3
(4) Mr. Tanatat Puttasuwan (resigned as of 16 March 2007)	3/3

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	Executive Director and Finance Manager
(5) Mr. Ampol Simarojana	Executive Director and Factory Manager
(6) Mr. Nipol Punyawiwat	Sales Manager - Wholesale
(7) Mrs. Roongnapa Phanomchoeng	Industrial Sales Manager
(8) Mr. Komkris Siriwongpairat	Sales Manager – Modern Trade
(9) Ms. Winita Purapati	Sales Manager – Food Solution

5. Details of Executive Board and Company Executives

(1) Name	: Mr. Whang Tar Liang
Position	: The Chairman and Executive Director
Age	: 81 years
% of share holding	: 0.34
The number of directorships in listed companies	
- Chairman	: 2 companies
- Director	: 0 company
Family relation with management	: Mr. Whang Shang Ying's father
Education	: Bachelor of Science Degree, University of California at Berkeley, U.S.A.

Experience:

- Chairman and Executive Director, Lam Soon (Thailand) Plc.
- Chairman, United Palm Oil Industry Plc.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil 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

(2) Name	: Art-ong Jumsai Na Ayudhya, Ph.D.
Position	: Independent Director and Chairman of Audit Committee
Age	: 67 years
% 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. in Communications, Imperial College of Science and Technology, London University, U.K.

Experience:

- Independent Director and Chairman of Audit Committee, Lam Soon (Thailand) Plc.
- Chief Administrator of Sathya Sai School, Lopburi province
- Senior Lecturer of The Faculty of Engineering, Chulalongkorn University
- Member of Parliament (Elected three times)
- Senator, Bangkok

Note : ■ present experience □ past experience

SHAREHOLDERS AND MANAGEMENT

- Secretary to the Foreign Minister
- Expert in the National Research Council on rockets for use in the Artificial Rain Making Project

(3) Name	:	Preecha Jarungidanan, Ph.D.
Position	:	Independent Director and Member of Audit Committee
Age	:	61 years
% of share holding	:	None
The number of directorships in listed companies		
- Chairman	:	0 company
- Director	:	3 companies
Family relation with management	:	None
Education	:	Ph.D. (Economics : Monetary Theory) University of Missouri, Columbia, U.S.A.; Certificate of Completion DCP 89/2007 from Thai Institute of Directors (IOD)

Experience:

- Independent Director and Member of Audit Committee, Lam Soon (Thailand) Plc.
- Independent Director and Member of Audit Committee, Kim Eng Securities (Thailand) Plc.
- Independent Director and Member of Audit Committee, Thai-German Products Plc.
- Director General, National Institute of Development Administration (NIDA)
- Director, Government Savings Bank
- Manager of Research and Planning Department, The Siam Commercial Bank Plc.
- Vice-President for Planning Affairs, National Institute of Development Administration (NIDA)
- Dean of The Faculty of Business Administration, National Institute of Development Administration (NIDA)

(4) Name	:	Mr. Banchong Chittchang
Position	:	Independent Director and Member of Audit Committee
Age	:	59 years
% of share holding	:	None
The number of directorships in listed companies		
- Chairman	:	0 company
- Director	:	1 company

Note : ■ present experience □ past experience

SHAREHOLDERS AND MANAGEMENT

Family relation with management	: None
Education	: M.S. Mechanical Engineering Degree, University of Akron, U.S.A.; Certificate of Completion DCP 7/2001 (Fellow Member) from Thai Institute of Directors (IOD)

Experience:

- Independent Director and Member of Audit Committee, Lam Soon (Thailand) Plc.
- Managing Director, Panapak Company Limited
- Councilor of Thailand Management Association
- Advisor of the Food Processing Industry Club, Federation of Thai Industries
- Chartered Director registered with Thai Institute of Directors
- Managing Director, Malee Sampran Plc.

(5) Name	: Datuk Simon Shim Kong Yip
Position	: Independent Director
Age	: 51 years
% of share holding	: None
The number of directorships in listed companies	
- Chairman	: 0 company
- Director	: 1 company
Family relation with management	: None
Education	: Master Degree in Law, University College London, London University, United Kingdom

Experience:

- Independent Director, Lam Soon (Thailand) Plc.
- Non-Independent Non-Executive Director, Malaysian Mosaics Berhad, a company listed on the Bursa Malaysia Securities Berhad in Malaysia
- Non-Independent Non-Executive Director / a member of the Nominating and Remuneration Committee, Hap Seng Consolidated Berhad, a company listed on the Bursa Malaysia Securities Berhad in Malaysia
- Non-Executive Director, Paos Holdings Berhad, a company listed on the Bursa Malaysia Securities Berhad in Malaysia
- Managing Partner, Messrs Shim Pang & Co.
- Barrister-at-law of the Lincoln's Inn, London
- Advocate and Solicitor of the High Court in Sabah and Sarawak
- Justice of the Peace in Malaysia
- Non-Independent Non-Executive Director, Hap Seng Plantations Holdings Berhad, a company listed on the Bursa Malaysia Securities Berhad in Malaysia

Note : ■ present experience □ past experience

SHAREHOLDERS AND MANAGEMENT

- Member of the Malaysian Corporate Law Reform Committee and its working group on Corporate Governance, and Shareholders' rights

(6) Name	: Mr. Whang Shang Ying
Position	: Executive Director
Age	: 47 years
% of share holding	: None

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.
- Executive Director, United Palm Oil Industry Plc.
- Chairman and Executive Director, Universal Food Plc.
- Chairman, Union Frost Co., Ltd.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil 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	: 50 years
% 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, United Palm Oil Industry Plc.
- Managing Director, Universal Food Plc.
- Managing Director, Union Frost Co., Ltd.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.

Note : ■ present experience □ past experience

SHAREHOLDERS AND MANAGEMENT

- Director, Phansrivivat Co., Ltd.
- Director, Phansri Co., Ltd.
- Director, Prachak Vivat Co., Ltd.
- Director, Siam Elite Palm Co., Ltd.
- Director and General Manager, Lam Soon (Thailand) Plc.
- President, Palm Oil Refinery Association
- Director, Reckitt and Coleman (Thailand) Co.,Ltd.

(8) Name	: Miss Anchalee Suebchantasiri
Position	: Executive Director and Finance Manager
Age	: 49 years
% 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.
- Finance Manager, Lam Soon (Thailand) Plc.
- Executive Director, United Palm Oil Industry Plc.
- Executive Director, Universal Food Plc.
- Director, Union Frost Co., Ltd.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Director, DTSL (Thailand) Co., Ltd
- Director, Phansrivivat Co., Ltd.
- Director, Phansri Co., Ltd.
- Director, Prachak Vivat Co., Ltd.
- Director, Siam Elite Palm Co., Ltd.

(9) Name	: Mr. Ampol Simarojana
Position	: Executive Director and Factory Manager
Age	: 51 years
% of share holding	: 0.02%
The number of directorships in listed companies	
- Chairman	: 0 company
- Director	: 1 company
Family relation with management	: None

Note : ■ present experience □ past experience

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.
- Manager, United Palm Oil Industry Plc.
- Executive Director, Universal Food Plc.
- Director, Union Frost Co., Ltd.
- Director, Lam Soon Holding Co., Ltd.
- Director, DTSL (Thailand) Co., Ltd
- Manager of Melting Division, Siam Asahi-Technoglass Co., Ltd.
- Assistant Production Manager, Lam Soon (Thailand) Co., Ltd.

(10) Name : **Mr. Nipol Punyawiwat**
 Position : Sales Manager - Wholesale
 Age : 48 years
 % of share holding : 0.00%
 Family relation with management : None
 Education : Bachelor of Law, Ramkhamhaeng
 University

Experience:

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

(11) Name : **Mrs. Roongnapa Phanomchoeng**
 Position : Industrial Sales Manager
 Age : 49 years
 % 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

SHAREHOLDERS AND MANAGEMENT

(12) Name	: Mr. Komkris Siriwongpairat
Position	: Sales Manager – Modern Trade
Age	: 35 years
% of share holding	: None
Family relation with management	: None
Education	: Master in Financial Management, University of Exeter, UK; Bachelor of Business Administration, Assumption University

Experience:

- Sales Manager – Modern Trade, Lam Soon (Thailand) Plc.
- Sales Manager – SC Johnson & Son Co., Ltd.
- Sr. Customer Development Manager – Johnson & Johnson
- Key Account Manager & Trade Marketing Manager – Diethelm Co., Ltd

(13) Name	: Ms. Winita Purapati
Position	: Sales Manager – Food Solution
Age	: 37 years
% of share holding	: None
Family relation with management	: None
Education	: Bachelor of Arts, Assumption University

Experience:

- Sales Manager – Food Solution, Lam Soon (Thailand) Plc.
- National Sales Manager – Key Accounts & Direct Accounts Food Services, Nestle Thai Ltd

Note : ■ present experience □ past experience

6. Directors and Executives holding shares in the Company

Name	No. of shares at the end of 2006	Increase (Decrease) in no. of shares during the fiscal year	No. of shares at the end of 2007
(1) Mr.Whang Tar Liang	2,758,000	-	2,758,000
(2) Art-ong Jumsai Na Ayudhya, Ph.D.	N/A	N/A	-
(3) Preecha Jarungidanan, Ph.D.	N/A	N/A	-
(4) Mr. Banchong Chittchang	N/A	N/A	-
(5) Datuk Simon Shim Kong Yip	N/A	N/A	-
(6) Mr.Whang Shang Ying	-	-	-
(7) Mr.Somchai Chongsawadchai	16,230,800	-	16,230,800
(8) Ms.Anchalee Suebchantasiri	9,140	-	9,140
(9) Mr.Ampol Simarojana	200,000	-	200,000
(10) Mr.Nipol Poonyaviwat	924,500	(924,000)	500
(11) Mrs. Roongnapa Phanomchoeng	-	-	-
(12) Mr. Komkris Siriwongpairat	-	-	-
(13) Ms. Winita Purapati	-	-	-



7. Remuneration of Directors and Management

(a) Director's fees

- Director's fees paid to all 9 members of the Board and 4 directors who resigned during the year
3,286,390 Baht

Name	Position	Director's fees in 2007
(1) Mr. Whang Tar Liang	Chairman of Directors and Executive Director	441,371
(2) Art-ong Jumsai Na Ayudhya, Ph.D.	Independent Director and Chairman of Audit Committee	274,019
(3) Preecha Jarungidanana, Ph.D.	Independent Director and Member of Audit Committee	380,792
(4) Mr. Banchong Chittchang	Independent Director and Member of Audit Committee	380,792
(5) Datuk Simon Shim Kong Yip	Independent Director	323,500
(6) Mr. Whang Shang Ying	Executive Director	232,000
(7) Mr. Somchai Chongsawadchai	Managing Director	232,000
(8) Mr. Ampol Simarojana	Executive Director and Factory Manager	232,000
(9) Ms. Anchalee Suebchantasiri	Executive Director and Finance Manager	232,000
<i>Directors who resigned their directorship during the year</i>		
(1) Mr. Mechai Viravaidya	Chairman of Directors and Independent Director	118,542
(2) Mr. Songkram Grachangnetara	Independent Director and Chairman of Audit Committee	146,458
(3) Mrs. Saruda Changsiricharoen	Independent Director and Member of Audit Committee	146,458
(4) Mr. Tanatat Puttasuwan	Independent Director and Member of Audit Committee	146,458

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

2,510,226 Baht

(c) Remuneration of the Management (9 members)

67,166,440 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, except the cost of air-ticket and accommodation for directors residing outside Thailand who attend the meetings, and the cost of director liability insurance for all members of the Board. Other forms of remuneration for the Management include Company's cars and related expenses, medical expense, and accidental insurance

SHAREHOLDERS AND MANAGEMENT

As for Provident Fund, the Management has been paid at the same rate as other employees. However, no Provident Fund has been paid to Mr. Whang Tar Liang and Mr. Whang Shang Ying.

8. Directors and the Management having positions in subsidiaries and related companies

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

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

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's 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. Internal Control Management

The Company places importance on internal control system which it regards as a vital management tool to reduce business risk, to build up a confidence of business management, to assist the Company operating efficiency and fulfill expected goal. The internal control system also enhances shareholders' benefits and investment, supports verification and creditability of financial statement reports and operating reports of the Company, prevents loss of assets and assists employees working under laws and regulations.

The Company employed Dr. Virach & Associates Office to be the Company internal auditors. The Company assigns the Office to prepare quarterly internal audit plans, which are to evaluate efficiency of the Company's internal control system and create effectively internal control system for the Company and practice in consistency.

During the Board Meeting No.1/2008 held on February 28, 2008, in the presence of three independent directors and audit committee members, the Board reviewed the internal control system of the Company by using the evaluation form initially completed and presented by the management and reviewed by the audit committee. The evaluation of the internal control system of the Company covered 5 areas, namely organization and environment, risk management, operational control of the management, information system and communication, and monitoring. The Board concluded and provided an opinion that the Company has enough internal control system for the above mentioned areas.

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 6, 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.

Other significant items of internal control have been reviewed every quarter by the audit committee and the Company's internal auditor, Dr. Virach & Associates. Major issues are reported to the Board by the audit committee. The Board provided an opinion that Company's internal control measure is further strengthened by the quarterly review as well.

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 Board of Directors resolved to pay dividend for the operational period of 2007 at the rate of 0.10 Baht/share representing 53.99% of net profit, compared with that of 2006 at 0.20 Baht/share representing 92.57% of net profit. This was because of capital expenditure committed in 2008 for production capacity expansion projects in Bangpoo and Trang.

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. is not paying any dividend due to accumulated retained losses.

Connected transactions with common interested persons

Except as declared in Notes to financial statements item no. 6, the Company had no connected transactions.

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 goods on-time delivery. Due to seasonal shortage in the supply of domestic CPO and the fact that any CPO import has to be approved by the Government, it is therefore necessary for the Company to buy CPO from UPOIC.

In addition, the Company has been appointed as distributor in the domestic market for products of its subsidiary Universal Food Plc (UFC), which include canned fruits and vegetables, and fruit juice. This is to reduce sales expenses by applying the same distribution channels.

Measures or criteria to approve connected transactions

In 2007, the Company's purchases of CPO and CPKO from UPOIC accounted for 16.85 % 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 the Company. The approval was based on the market price references of various crushing mills.

For UFC products, the Company buys the products from UFC at the selling price sold by the Company using a fixed margin which is calculated based on expected expenses incurred from selling activities of UFC products.

Connected transactions in the future

The Company has had business transactions with UPOIC prior to the Company becoming its major shareholder. 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.

The Company will continue to act as distributor of UFC in order to reduce selling and administrative expenses of the group as a whole.

Legal conflicts

As at 31 December 2007, 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.

Obligations on future share issuance

- None -



- None -





LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2007 AND 2006

Report of Independent Auditor

To the Shareholders of Lam Soon (Thailand) Public Company Limited

I have audited the accompanying consolidated balance sheets of Lam Soon (Thailand) Public Company Limited and its subsidiaries as at 31 December 2007 and 2006, the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years 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 audits.

I conducted my audits 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 audits provide 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 2007 and 2006, the results of their operations, and cash flows for the years then ended, in accordance with generally accepted accounting principles.

Without qualifying my opinion on the above financial statements, I draw attention to the matter as discussed in Note 4 to the financial statements whereby, effective 1 January 2007, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method. The Company has thus restated the separate financial statements as at 31 December 2006 and for the year then ended to reflect this accounting change.

Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited
Bangkok : 28 February 2008

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		326,211,968	195,378,573	138,791,918	56,143,964
Current investment - fixed deposit		-	83,206,851	-	-
Trade accounts receivable					
Related parties	6, 7	1,826,317	2,190,258	91,084	966,350
Unrelated parties	7	985,817,364	586,451,193	938,700,374	540,433,949
Total trade accounts receivable - net		987,643,681	588,641,451	938,791,458	541,400,299
Short-term loans and advances to					
related parties - net	6	-	-	355,861	276,379
Inventories - net	8	1,029,984,529	851,147,772	516,737,902	513,021,592
Other current assets		43,541,652	33,841,812	13,169,775	13,474,117
TOTAL CURRENT ASSETS		2,387,381,830	1,752,216,459	1,607,846,914	1,124,316,351
NON-CURRENT ASSETS					
Investments in subsidiaries - net	9	-	-	1,133,765,725	1,133,745,725
Other long-term investments - net	10	6,607,732	14,955,849	857,835	655,852
Property, plant and equipment - net	11	1,651,022,441	1,435,269,942	430,119,770	441,054,335
Non-operating land	12	56,794,335	109,481,612	-	-
Deposit at financial institution with restrictions	13	-	900,000	-	-
Goodwill in business combination		221,083,790	239,804,050	-	-
Other non-current assets		10,513,471	14,488,464	442,184	636,038
TOTAL NON-CURRENT ASSETS		1,946,021,769	1,814,899,917	1,565,185,514	1,576,091,950
TOTAL ASSETS		4,333,403,599	3,567,116,376	3,173,032,428	2,700,408,301

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 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Bank overdrafts and short-term loans					
from financial institutions	14	1,574,000,061	851,574,193	1,010,000,000	515,000,000
Trade accounts payable					
Related parties	6	281,119	-	91,585,947	107,616,831
Unrelated parties		317,854,606	197,639,544	220,919,330	127,843,530
Total trade accounts payable		318,135,725	197,639,544	312,505,277	235,460,361
Advances from related party	6	-	-	530,591	-
Current portion of liabilities under finance lease agreements		1,963,803	-	1,638,997	-
Current portion of long term loans	15	56,320,000	124,232,000	-	69,650,000
Dividend payable		30,030,926	30,217,811	25,570,450	25,433,379
Other current liabilities					
Corporate income tax payable		24,223,718	32,603,119	9,201,465	24,064,240
Accrued expenses		81,303,619	100,541,253	45,781,906	75,075,599
Unearned income		24,786,678	40,892,119	24,786,678	40,892,119
Others		127,658,460	80,988,879	68,383,929	41,103,782
Total other current liabilities		257,972,475	255,025,370	148,153,978	181,135,740
TOTAL CURRENT LIABILITIES		2,238,422,990	1,458,688,918	1,498,399,293	1,026,679,480
NON-CURRENT LIABILITIES					
Liabilities under finance lease agreements - net					
of current portion		7,374,381	-	6,139,850	-
Long-term loans - net of current portion	15	76,613,000	132,933,000	-	-
Provision for land rental charge	16	20,468,000	18,748,000	-	-
Reserve for employee retirement benefit plan	17	11,727,419	5,031,992	11,727,419	5,031,992
TOTAL NON-CURRENT LIABILITIES		116,182,800	156,712,992	17,867,269	5,031,992
TOTAL LIABILITIES		2,354,605,790	1,615,401,910	1,516,266,562	1,031,711,472

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 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006
(Restated)					
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	19	5,269,100	5,269,100	5,269,100	5,269,100
Unrealised loss from other long-term investments	10	-1,154,519	-2,630,824	-642,165	-844,148
Retained earnings					
Appropriated - statutory reserve	18	102,428,597	83,160,001	82,000,000	82,000,000
Unappropriated		482,967,125	485,394,007	508,168,666	520,301,612
EQUITY ATTRIBUTABLE TO THE COMPANY'S					
SHAREHOLDERS		1,651,480,568	1,633,162,549	1,656,765,866	1,668,696,829
MINORITY INTERESTS - equity attributable to minority					
shareholders of subsidiaries		327,317,241	318,551,917	-	-
TOTAL SHAREHOLDERS' EQUITY		1,978,797,809	1,951,714,466	1,656,765,866	1,668,696,829
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,333,403,599	3,567,116,376	3,173,032,428	2,700,408,301
		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 2007 AND 2006

(Unit : Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2007	2006	2007	2006 (Restated)
REVENUES					
Sales		6,607,503,431	5,295,023,121	5,889,714,338	4,453,011,555
Dividend income from subsidiary	9	-	-	113,357,555	43,895,222
Reversal of allowance for diminution in inventory value		-	28,022,720	-	-
Other income		60,437,869	51,311,754	34,073,818	29,110,783
TOTAL REVENUES		6,667,941,300	5,374,357,595	6,037,145,711	4,526,017,560
EXPENSES					
Cost of sales		5,667,418,538	4,353,870,769	5,452,501,584	3,908,004,849
Selling and administrative expenses		615,090,741	592,171,343	390,817,415	354,624,976
Loss on impairment of investment in subsidiary		-	-	-	11,339,893
Amortisation of goodwill		18,720,259	17,881,365	-	-
TOTAL EXPENSES		6,301,229,538	4,963,923,477	5,843,318,999	4,273,969,718
INCOME BEFORE INTEREST EXPENSES					
AND CORPORATE INCOME TAX		366,711,762	410,434,118	193,826,712	252,047,842
INTEREST EXPENSES		-62,483,071	-64,984,432	-32,758,193	-34,746,170
CORPORATE INCOME TAX		-64,642,787	-63,533,880	-9,201,465	-40,138,024
INCOME BEFORE MINORITY INTERESTS		239,585,904	281,915,806	151,867,054	177,163,648
INCOME IN RESPECT OF MINORITY INTERESTS		-58,744,190	-52,985,426	-	-
NET INCOME FOR THE YEAR		180,841,714	228,930,380	151,867,054	177,163,648
BASIC EARNINGS PER SHARE					
Net income	22	0.22	0.28	0.19	0.22
Weighted average number of ordinary shares (Shares)		820,000,000	816,651,972	820,000,000	816,651,972

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 2007 AND 2006

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
				(Restated)
Cash flows from operating activities :				
Net income	180,841,714	228,930,380	151,867,054	177,163,648
Adjustments to reconcile net income to net cash provided by (paid from) operating activities :-				
Depreciation and amortisation	141,248,957	136,401,236	50,298,866	47,173,172
Amortisation of goodwill	18,720,259	17,881,365	-	-
Loss on impairment of investment in subsidiary	-	-	-	11,339,893
Increase (decrease) in allowance for doubtful accounts	-4,580,269	2,268,346	-130,580	2,149,520
Increase (decrease) in allowance for diminution in inventory value	-34,924,896	-26,524,915	-590,449	78,629
Write-off deteriorated inventories	37,592,014	-	-	-
Reversal of 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	6,695,427	3,559,427	6,695,427	3,559,427
Dividend received from subsidiary	-	-	-113,357,555	-43,895,222
Loss (gain) on disposals and write off of property, plant and equipment	3,333,460	5,064,546	-1,025,370	-11,382
Gain on sales of other long-term investments	-238,400	-	-	-
Unrealised loss (gain) on exchange	126,483	128,918	-105,925	-23,889
Net income attributable to minority interests	58,744,190	52,985,426	-	-
Income from operating activities before changes in operating assets and liabilities	409,278,939	420,117,504	93,651,468	197,533,796
Decrease (increase) in operating assets :-				
Trade accounts receivable - related parties	359,914	-428,195	875,266	-705,499
Trade accounts receivable - unrelated parties	-394,827,032	-37,551,653	-398,083,403	-137,736,545
Inventories	-175,769,198	-3,652,904	-3,125,861	-79,066,053
Other current assets	-9,910,436	-6,105,833	304,342	1,473,851
Other non-current assets	3,974,993	-13,186,082	193,854	-219,016
Increase (decrease) in operating liabilities :-				
Trade accounts payable - related parties	281,119	-2,704,705	-16,030,884	105,433,987
Trade accounts payable - unrelated parties	120,185,600	34,083,714	93,129,283	28,808,499
Other current liabilities	2,652,815	77,080,660	-28,612,111	82,991,661
Net cash from (used in) operating activities	-43,773,286	467,652,506	-257,698,046	198,514,681

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 2007 AND 2006

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
				(Restated)
Cash flows from investing activities :				
Decrease (increase) in fixed deposits with maturity of more than 3 months	83,206,851	-83,206,851	-	-
Decrease in deposit at financial institution with restrictions	900,000	-	-	-
(Increase) decrease in short-term loans and advances to related parties	-	-663,251	-79,482	2,999,943
Increase in investment in subsidiary	-20,000	-47,679,400	-20,000	-47,679,400
Dividend received from subsidiary	-	-	113,357,555	43,895,222
Acquisitions of property, plant and equipment	-306,011,061	-276,445,269	-36,126,696	-41,521,750
Proceeds from disposals of property, plant and equipment	2,705,174	2,996,141	1,303,127	283,327
Proceeds from sales of other long-term investments	10,610,000	-	-	-
Net cash from (used in) investing activities	<u>-208,609,036</u>	<u>-404,998,630</u>	<u>78,434,504</u>	<u>-42,022,658</u>
Cash flows from financing activities :				
Increase in bank overdrafts and short-term loans				
from financial institutions	722,425,868	48,646,541	495,000,000	45,000,000
Increase in advance received from subsidiary	-	-	530,591	-
Repayment of hire purchase creditors	-154,523	-390,672	-	-
Repayment of liabilities under finance lease agreements	-129,439	-	-106,166	-
Cash receipt from long-term loans	-	56,300,000	-	-
Repayment of long-term loans	-124,232,000	-213,565,000	-69,650,000	-171,900,000
Proceeds from disposal of treasury stock	-	23,583,025	-	23,583,025
Dividend paid	-214,694,189	-50,393,869	-163,862,929	-24,438,599
Net cash from (used in) financing activities	<u>383,215,717</u>	<u>-135,819,975</u>	<u>261,911,496</u>	<u>-127,755,574</u>
Net increase (decrease) in cash and cash equivalents	130,833,395	-73,166,099	82,647,954	28,736,449
Cash and cash equivalents at beginning of the year	195,378,573	268,544,672	56,143,964	27,407,515
Cash and cash equivalents at end of the year	<u>326,211,968</u>	<u>195,378,573</u>	<u>138,791,918</u>	<u>56,143,964</u>
Supplementary disclosures of cash flows information				
Cash paid during the year for :-				
Interest expenses	62,868,992	64,381,134	32,181,434	34,722,687
Corporate income tax	74,804,476	47,065,219	24,790,739	24,245,077
Non-cash transactions :				
Acquisitions of plant and equipment that have not been paid	10,204,536	9,595,729	65,000	4,434,651
Acquisitions of plant and equipment under financial lease agreements	9,467,623	-	7,885,013	-
Transfer non-operating land for project development	52,687,277	-	-	-
Transfer equipment to inventory account	5,734,677	-	-	-

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 2007 AND 2006

(Unit : Baht)

		Consolidated financial statements								
				Unrealised loss	Retained earnings					
		Issued and		from other	Appropriated					
		paid up	Premium on	long-term	statutory	treasury	Unappropriated	Treasury stock	Minority interests	Total
Note	share capital	Share premium	treasury stock	investments	reserve	stock reserve				
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	18	-	-	-	12,411,785	-	(12,411,785)	-	-	-
Adjustment of treasury stock reserve	19	-	-	-	-	(26,618,806)	26,618,806	-	-	-
Disposal of treasury stock	19	-	(3,035,781)	-	-	-	-	26,618,806	-	23,583,025
Dividend paid	25	-	-	-	-	-	(24,467,943)	-	-	(24,467,943)
Net income for the year	-	-	-	-	-	-	228,930,380	-	-	228,930,380
Decrease in minority interests	-	-	-	-	-	-	-	-	(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
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
Adjustment of fair value of investments	-	-	-	1,476,305	-	-	-	-	-	1,476,305
Appropriation of statutory reserve	18	-	-	-	19,268,596	-	(19,268,596)	-	-	-
Dividend paid	25	-	-	-	-	-	(164,000,000)	-	-	(164,000,000)
Net income for the year	-	-	-	-	-	-	180,841,714	-	-	180,841,714
Increase in minority interests	-	-	-	-	-	-	-	-	8,765,324	8,765,324
Balance as at 31 December 2007	820,000,000	241,970,265	5,269,100	(1,154,519)	102,428,597	-	482,967,125	-	327,317,241	1,978,797,809

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 2007 AND 2006

(Unit : Baht)

Separate financial statements										
	Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Unrealised loss from other long-term investments	Retained earnings			Total	
						Appropriated		Unappropriated		Treasury stock
						statutory reserve	treasury stock reserve			
Balance as at 31 December 2005 - as previously reported		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
Cumulative effect of the change in accounting policy for investments in subsidiaries	4	-	-	-	2,123,834	-	-	85,514,336	-	87,638,170
Balance as at 31 December 2005 - as restated		820,000,000	241,970,265	8,304,881	(798,557)	70,748,216	26,618,806	352,238,885	(26,618,806)	1,492,463,690
Adjustment of fair value of investments		-	-	-	(45,591)	-	-	-	-	(45,591)
Appropriation of statutory reserve	18	-	-	-	-	11,251,784	-	(11,251,784)	-	-
Adjustment of treasury stock reserve	19	-	-	-	-	-	(26,618,806)	26,618,806	-	-
Disposal of treasury stock	19	-	-	(3,035,781)	-	-	-	-	26,618,806	23,583,025
Dividend paid	25	-	-	-	-	-	-	(24,467,943)	-	(24,467,943)
Net income for the year (restated)		-	-	-	-	-	-	177,163,648	-	177,163,648
Balance as at 31 December 2006 - as restated		820,000,000	241,970,265	5,269,100	(844,148)	82,000,000	-	520,301,612	-	1,668,696,829
Balance as at 31 December 2006 - as previously reported		820,000,000	241,970,265	5,269,100	(2,630,824)	82,000,000	-	486,554,008	-	1,633,162,549
Cumulative effect of the change in accounting policy for investments in subsidiaries	4	-	-	-	1,786,676	-	-	33,747,604	-	35,534,280
Balance as at 31 December 2006 - as restated		820,000,000	241,970,265	5,269,100	(844,148)	82,000,000	-	520,301,612	-	1,668,696,829
Adjustment of fair value of investments		-	-	-	201,983	-	-	-	-	201,983
Dividend paid	25	-	-	-	-	-	-	(164,000,000)	-	(164,000,000)
Net income for the year		-	-	-	-	-	-	151,867,054	-	151,867,054
Balance as at 31 December 2007		820,000,000	241,970,265	5,269,100	(642,165)	82,000,000	-	508,168,666	-	1,656,765,866

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

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

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

2.1 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.

2.2 Basis of consolidation

a) 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	Country of incorporation	Percentage of shareholding		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	
			2007	2006	2007	2006	2007	2006
			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	Thailand	69.96	69.96	23	26	1	2
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	Thailand	96.79	96.79	26	24	10	15

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2007 Percent	2006 Percent
<u>Subsidiary held by United Palm Oil Industry Public Company Limited</u>				
Phansrivivat Company Limited	Owner of oil palm plantation	Thailand	100	100
<u>Jointly controlled entity held by United Palm Oil Industry Public Company Limited</u>				
Siam Elite Palm Company Limited	Production and distribution of oil palm seeds	Thailand	50	-
<u>Subsidiaries held by Phansrivivat Company Limited</u>				
Prachak Vivat Company Limited	Holder of concessions to use forest reserve land	Thailand	100	100
Phansri Company Limited	Holder of concessions to use forest reserve land	Thailand	100	100
<u>Subsidiary held by Universal Food Public Company Limited</u>				
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	Thailand	58	58

- a) During the year 2007, there was the following change in the composition of the group.

In February 2007, United Palm Oil Industry Public Company Limited and a foreign partner jointly established Siam Elite Palm Company Limited which is engaged in the production and distribution of oil palm seeds. The subsidiary has interested in 50% and it has treated this investment as jointly controlled entity and thus included the financial statements of the jointly controlled entity in proportion to the Company's interest in the consolidated financial statements.

- b) 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.
- c) 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 "Goodwill in business combination" under non-current assets in the consolidated balance sheets, which is amortised over a period of 20 years from the date of acquisition.

2.3 The separate financial statements, which present investments in subsidiaries under the cost method, have been prepared solely for the benefit of the public.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

The Federation of Accounting Professions (FAP) has issued Notifications No. 9/2550, 38/2550 and 62/2550 regarding Accounting Standards. The notifications mandate the use of the following new Accounting Standards.

a) Accounting Standards which are effective for the current year

TAS 44 (revised 2007)	Consolidated and Separate Financial Statements
TAS 45 (revised 2007)	Investments in Associates
TAS 46 (revised 2007)	Interests in Joint Ventures

These accounting standards become effective for the financial statements for fiscal years beginning on or after 1 January 2007. During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements in order to comply with the revised Thai Accounting Standard No. 44 as discussed in Note 4. The revised Accounting Standards No. 45 and 46 are not relevant to the Company's business.

b) Accounting Standards which are not effective for the current year

TAS 25 (revised 2007)	Cash Flow Statements
TAS 29 (revised 2007)	Leases
TAS 31 (revised 2007)	Inventories
TAS 33 (revised 2007)	Borrowing Costs
TAS 35 (revised 2007)	Presentation of Financial Statements
TAS 39 (revised 2007)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 41 (revised 2007)	Interim Financial Reporting
TAS 43 (revised 2007)	Business Combinations
TAS 49 (revised 2007)	Construction Contracts
TAS 51	Intangible Assets

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these revised accounting standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied, except for the following accounting standard.

TAS 43 (revised 2007) “Business Combinations”

TAS 43 (revised 2007) does not require the Company to amortise goodwill acquired in a business combination. Such goodwill is instead to be tested for impairment, and measured at cost less accumulated impairment losses. This accounting standard applies to goodwill arising from business combinations for which the agreement date is on or after 1 January 2008. Previously recognised goodwill can be accounted for prospectively, with the Company discontinuing the amortisation of the goodwill and instead testing for impairment, as from the beginning of the first fiscal year starting on or after 1 January 2008.

4. CHANGE IN ACCOUNTING POLICY FOR RECORDING INVESTMENTS IN SUBSIDIARIES IN THE SEPARATE FINANCIAL STATEMENTS

During the first quarter of the current year, the Company changed its accounting policy for recording investments in subsidiaries in the separate financial statements from the equity method to the cost method, in compliance with Accounting Standard No. 44 (Revised 2007) regarding “Consolidated and Separate Financial Statements”, under which investments in subsidiaries, jointly controlled entities and associates are to be presented in the separate financial statements under the cost method.

In this regard, the Company has restated the previous period’s separate financial statements as though the investments in the subsidiaries had originally been recorded using the cost method. The change has the effect of decreasing net income in the separate income statements for the year ended 31 December 2007 and 2006 by Baht 28.97 million (Baht 0.04 per share) and Baht 51.77 million (Baht 0.06 per share), respectively. The cumulative effect of the change in accounting policy has been presented under the heading of “Cumulative effect of the change in accounting policy for investments in subsidiaries” in the separate statements of changes in shareholders’ equity.

Such change in accounting policy affects only the accounts related to investments in subsidiaries in the Company’s separate financial statements, with no effect to the consolidated financial statements.

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 on an accrual basis based on the effective interest rate.

Dividends

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

5.2 Cash and cash equivalents

Cash and cash equivalents consist of cash and deposits 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, the changes are then included in determining income.

The fair value of marketable securities is based on the latest bid price of the last working day of the year as quoted on the Stock Exchange of Thailand.

- b) Investments in subsidiaries are accounted for in the separate financial statements using the cost 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 Long-term leases

Leases of equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the useful life of the asset.

5.10 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.

5.11 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.)

5.12 Borrowing costs

Interest expenses from loans used in construction projects or asset manufacturing are capitalised until they are available for using.

5.13 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.

5.14 Employee benefits

Salaries, 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 services and average remuneration of the employees.

5.15 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.

5.16 Income Tax

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

5.17 Derivatives - forward exchange contracts

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling 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.

5.18 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. 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 business between the Company and those companies. Below is a summary of those transactions.

(Unit : Million Baht)

	Consolidated financial statements		Separate financial statements		Pricing and lending policy
	2007	2006	2007	2006	
<i>Transactions with subsidiaries</i>					
(eliminated from the consolidated financial statements)					
Purchase of raw material	-	-	562.1	607.9	Forward contract prices by using market prices at the date of agreement or market prices
Purchase of finished goods	-	-	421.4	300.0	Market prices less fixed margin
Sales of goods	-	-	0.9	-	Price approximates market price
Rental income	-	-	2.1	2.1	Market price
Guarantee fee income	-	-	2.7	3.0	1.5 percent per annum of credit facilities
Dividend income	-	-	113.4	43.9	At the declared rate
<i>Transactions with related companies</i>					
Sales of goods	16.9	16.3	-	2.1	Price approximates market price
Interest income	-	0.7	-	-	Interest at rate 7.00 percent per annum
Purchases of goods and services	0.3	0.5	-	-	Cost
<i>Transactions with jointly controlled entity of subsidiary</i>					
Disposal of building	0.1	-	-	-	Cost

The balances of accounts as at 31 December 2007 and 2006 between the Company and the related parties are detailed as follows :-

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<i>Trade accounts receivable - related parties</i>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	91,084	187,071
Total trade accounts receivable - subsidiary	-	-	91,084	187,071
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	997,181	642,524	-	-
ACE Canning Corporation Sdn. Bhd.	302,846	306,999	-	-
Lam Soon Edible Oils Sdn. Bhd.	526,290	1,240,735	-	779,279
Union Fresh Company Limited	452,280	452,280	-	-
Total trade accounts receivable - related companies	2,278,597	2,642,538	-	779,279
Total trade accounts receivable - related parties	2,278,597	2,642,538	91,084	966,350
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Total trade accounts receivable - related parties, net	1,826,317	2,190,258	91,084	966,350
<i>Short-term loans and advances to related parties</i>				
<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	-	-
<i>Advances - related parties</i>				
<u>Subsidiaries</u>				
Universal Food Public Company Limited	-	-	345,229	250,859
United Palm Oil Industry Public Company Limited	-	-	-	25,520
Total advances - subsidiaries	-	-	345,229	276,379

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
<u>Related companies</u>				
Union Fresh Company Limited	18,549,353	18,549,353	-	-
Siam Unison Company Limited	1,778,890	1,778,890	-	-
Union Frost Company Limited	-	-	10,632	-
Total advances - related companies	20,328,243	20,328,243	10,632	-
Total advances - related parties	20,328,243	20,328,243	355,861	276,379
Total short-term loans and advances to related parties	65,938,644	65,938,644	355,861	276,379
Less : Allowance for doubtful accounts	(65,938,644)	(65,938,644)	-	-
Total short-term loans and advances to related parties - net	-	-	355,861	276,379
 <i>Trade accounts payable - related parties</i>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	45,649,471	39,907,621
Universal Food Public Company Limited	-	-	45,655,357	67,709,210
Total trade accounts payable – subsidiaries	-	-	91,304,828	107,616,831
<u>Related company</u>				
Lam Soon Singapore Pte Limited	281,119	-	281,119	-
Total trade accounts payable - related company	281,119	-	281,119	-
Total trade accounts payable – related parties	281,119	-	91,585,947	107,616,831
 <i>Advances from related party</i>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	530,591	-
Total advances from subsidiary	-	-	530,591	-
Total advances from related party	-	-	530,591	-

Directors' remuneration

In 2007, the Company and its subsidiaries paid remuneration to their directors totaling Baht 10.2 million (The Company Only: Baht 3.6 million) (2006 : Baht 12.2 million, The Company Only: Baht 3.8 million).

Directors' remuneration represents the benefits paid to the Company's and its subsidiaries' directors in accordance with Section 90 of the Public Limited Companies Act.

Guarantee obligations with related party

The Company has outstanding guarantee obligations for its subsidiary, as described in Note 27.2 to the financial statements.

7. TRADE ACCOUNTS RECEIVABLE

The outstanding balances of trade accounts receivable as at 31 December 2007 and 2006, classified by aging, were as follows :-

	(Unit : Baht)			
	<u>Consolidated financial statements</u>		<u>Separate financial statements</u>	
<u>Age of receivables</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<u>Related parties</u>				
- Less than 3 months	1,826,317	2,196,072	91,084	966,350
- 6 - 12 months	-	(5,814)	-	-
- Over 12 months	452,280	452,280	-	-
Total	2,278,597	2,642,538	91,084	966,350
Less : Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties, net	1,826,317	2,190,258	91,084	966,350
<u>Unrelated parties</u>				
Post dated cheques receivable	54,876,561	39,864,722	54,876,561	39,864,722
Cheque returned	16,525,974	15,241,246	11,318,422	10,033,694
Trade accounts receivable				
- Up to 3 months	926,447,472	542,335,293	879,501,444	497,528,167
- 3 - 6 months	417,357	1,912,817	417,357	648,940
- 6 - 12 months	1,043,463	1,008,085	1,043,463	764,335
- Over 12 months	20,044,833	24,418,192	2,933,321	3,114,865
Total	1,019,355,660	624,780,355	950,090,568	551,954,723
Less : Allowance for doubtful accounts	(33,538,296)	(38,329,162)	(11,390,194)	(11,520,774)
Trade accounts receivable – unrelated parties, net	985,817,364	586,451,193	938,700,374	540,433,949
Total trade accounts receivable - net	987,643,681	588,641,451	938,791,458	541,400,299

8. INVENTORIES

(Unit : Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Finished goods	506,294,481	353,349,205	85,353,394	71,509,791
Work in process	329,422,640	376,849,314	324,172,293	374,425,004
Raw materials	107,891,110	73,763,413	71,949,806	34,576,114
Inventory in transit	127,358	-	127,358	-
Supplies and spare parts	96,453,950	92,315,746	36,233,684	34,199,765
Total	1,040,189,539	896,277,678	517,836,535	514,710,674
Less : Allowance for diminution in inventory value and stock obsolescence	(10,205,010)	(45,129,906)	(1,098,633)	(1,689,082)
Inventories - net	1,029,984,529	851,147,772	516,737,902	513,021,592

9. INVESTMENTS IN SUBSIDIARIES

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

(Unit : Baht)

Company's name	Separate financial statements							
	Paid-up share capital		Equity interest		Investment value under cost method		Dividend received for the year ended 31 December	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
			Percent	Percent				
United Palm Oil Industry Public Company Limited	324,050,000	324,050,000	69.96	69.96	748,343,849	748,343,849	113,357,555	43,895,222
Universal Food Public Company Limited	350,000,000	350,000,000	96.79	96.79	406,517,756	406,497,756	-	-
Total					1,154,861,605	1,154,841,605	113,357,555	43,895,222
Less : Allowance for impairment loss of investments					(21,095,880)	(21,095,880)		
Total investments in subsidiaries - net					1,133,765,725	1,133,745,725		

As at 31 December 2007, the fair value of the investment in United Palm Oil Industry Public Company Limited, calculated based on latest bid price of the shares on the last trading day of the period as quoted on the Stock Exchange of Thailand and in proportion to the Company's shareholding, was approximately Baht 1,451 million.

10. OTHER LONG-TERM INVESTMENTS

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
				(Restated)
<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	300,000	300,000	300,000	300,000
Open-ended Kiatnakin Fund	200,000	200,000	200,000	200,000
Bangkok Bank Fund	6,482,250	16,853,850	-	-
Total	7,982,250	18,353,850	1,500,000	1,500,000
Less : Unrealised loss from other long-term investments	(1,374,518)	(3,398,001)	(642,165)	(844,148)
Other long-term investments - net	6,607,732	14,955,849	857,835	655,852
<u>Unrealised loss from other long-term investments</u>				
Portion of the Company	642,165	844,148	642,165	844,148
Portion of the subsidiary	732,353	2,553,853	-	-
Total	1,374,518	3,398,001	642,165	844,148
Unrealised loss attributable to minority interests	(219,999)	(767,177)	-	-
Unrealised loss from other long-term investments	1,154,519	2,630,824	642,165	844,148

11. PROPERTY, PLANT AND EQUIPMENT

(Unit : Baht)

Consolidated financial statements										
	Land	Land awaiting development	Cost of forest land rights & plantation development costs	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 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
Additions	8,500	-	-	507,274	14,270,754	2,739,416	12,950,596	111,490,651	173,198,837	315,166,028
Capitalised interest	-	-	-	-	-	-	-	921,463	-	921,463
Disposals/write off	-	-	(33,935,931)	(421,244)	(11,376,225)	(1,922,756)	(6,282,565)	-	(100,000)	(54,038,721)
Transfer land for project development	(21,585,630)	74,272,907	-	-	-	-	-	-	-	52,687,277
Transfer in (transfer out)	-	-	22,611,801	27,842,328	62,063,012	534,624	-	(43,521,021)	(75,265,421)	(5,734,677)
31 December 2007	241,207,631	74,272,907	434,059,462	656,721,135	1,410,357,398	110,884,704	164,688,463	104,987,896	280,731,233	3,477,910,829
Accumulated depreciation										
31 December 2006	-	-	266,547,399	356,609,015	868,567,198	83,262,708	139,268,273	-	-	1,714,254,593
Depreciation for the year	-	-	19,087,892	26,538,095	78,263,656	9,633,724	8,874,203	-	-	142,397,570
Depreciation on disposals/write off	-	-	(29,028,867)	(331,488)	(10,438,478)	(1,918,698)	(6,282,555)	-	-	(48,000,086)
Transfer in (transfer out)	-	-	-	(377)	(1,378)	1,755	-	-	-	-
31 December 2007	-	-	256,606,424	382,815,245	936,390,998	90,979,489	141,859,921	-	-	1,808,652,077
Allowance for impairment										
31 December 2006	14,487,948	-	-	-	1,926,317	2,970,659	-	-	-	19,384,924
Decrease during the year	-	-	-	-	-	(1,148,613)	-	-	-	(1,148,613)
31 December 2007	14,487,948	-	-	-	1,926,317	1,822,046	-	-	-	18,236,311
Net book value										
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
31 December 2007	226,719,683	74,272,907	177,453,038	273,905,890	472,040,083	18,083,169	22,828,542	104,987,896	280,731,233	1,651,022,441
Depreciation for the year :										
2006 (Baht 114 million included in manufacturing cost, and the balance in selling and administrative expenses)										136,401,236
2007 (Baht 122 million included in manufacturing cost, and the balance in selling and administrative expenses)										142,397,570

(Unit : Baht)

Separate financial statements							
	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
<u>Cost</u>							
31 December 2006	27,938,625	249,304,675	734,597,626	30,647,419	29,104,025	18,212,061	1,089,804,431
Additions	-	-	8,232,950	1,174,280	10,404,359	19,830,469	39,642,058
Disposals/write off	-	-	(6,182,666)	(459,632)	(4,620,193)	-	(11,262,491)
Transfer in (transfer out)	-	206,535	11,248,580	-	-	(11,455,115)	-
31 December 2007	27,938,625	249,511,210	747,896,490	31,362,067	34,888,191	26,587,415	1,118,183,998
<u>Accumulated depreciation</u>							
31 December 2006	-	156,889,943	436,226,307	27,700,540	26,006,989	-	646,823,779
Depreciation for the year	-	9,304,065	37,876,388	1,225,472	1,892,941	-	50,298,866
Depreciation on disposals/write off	-	-	(5,904,922)	(459,624)	(4,620,188)	-	(10,984,734)
31 December 2007	-	166,194,008	468,197,773	28,466,388	23,279,742	-	686,137,911
<u>Allowance for impairment</u>							
31 December 2006	-	-	1,926,317	-	-	-	1,926,317
31 December 2007	-	-	1,926,317	-	-	-	1,926,317
<u>Net book value</u>							
31 December 2006	27,938,625	92,414,732	296,445,002	2,946,879	3,097,036	18,212,061	441,054,335
31 December 2007	27,938,625	83,317,202	277,772,400	2,895,679	11,608,449	26,587,415	430,119,770
<u>Depreciation for the year :</u>							
2006 (Baht 37 million included in manufacturing cost, and the balance in selling and administrative expenses)							47,173,172
2007 (Baht 41 million included in manufacturing cost, and the balance in selling and administrative expenses)							50,298,866

The total area utilised by the subsidiary amounts to approximately 23,698 rai, of which 9,740 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.

The subsidiary has mortgaged and pledged the majority of land and buildings thereon, land awaiting for development and machinery with financial institutions to secure credit facilities granted by financial institutions and letters of guarantees issued by banks.

As at 31 December 2007, certain plant and equipment items of the Company and the subsidiaries have been fully depreciated but are still in use. The original cost of those assets amounted to approximately Baht 819 million (2006 : Baht 761 million) and for the Company amounted to approximately Baht 302 million (2006 : Baht 294 million).

12. NON-OPERATING LAND

During the current year, the subsidiary transferred non-operating land amounting to Baht 52.69 million to land awaiting development, in order to use it in developing a project.

As at 31 December 2007, the subsidiary had mortgaged non-operating land amounting to Baht 32 million to secure credit facilities granted by financial institutions.

13. DEPOSIT AT FINANCIAL INSTITUTION WITH RESTRICTIONS

Deposit at financial institution with restrictions as at 31 December 2006 represented fixed deposit, which the subsidiary pledged with a bank as a collateral for bank guarantees and was redeemed during the year 2007.

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

	(Unit : Baht)					
	Interest rate		Consolidated financial		Separate financial	
	(percent per annum)		statements		statements	
	2007	2006	2007	2006	2007	2006
Bank overdrafts	MOR	MOR	61	674,193	-	-
Short-term loans from financial institutions	3.87 - 4.90	5.45 - 6.03	1,574,000,000	850,900,000	1,010,000,000	515,000,000
Total			1,574,000,061	851,574,193	1,010,000,000	515,000,000

15. LONG-TERM LOANS

	(Unit : Baht)			
	Consolidated financial statements		Separate financial statements	
	2007	2006	2007	2006
Long-term loans	132,933,000	257,165,000	-	69,650,000
Less : Current portion	(56,320,000)	(124,232,000)	-	(69,650,000)
Long-term loans – net of current portion	76,613,000	132,933,000	-	-

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. The Company repaid the remaining loan during the year 2007.

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 6.88 - 7.75 percent per annum. As at 31 December 2007, the outstanding loans were Baht 132.9 million (2006 : Baht 187.5 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.

16. 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.

17. 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 services and average remuneration of the employees. During the year 2007, the amount provided in the accounts by the Company amounted to Baht 8.4 million (2006 : Baht 6.0 million).

18. 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.

19. TREASURY STOCK

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 (for 82 million treasury shares at average price of Baht 1.56 per share) 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.

20. NUMBER OF EMPLOYEES AND RELATED COSTS

	Consolidated financial statements		Separate financial statements	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Number of employees at the end of year (persons)	2,910	2,913	526	495
Employee costs for the year (Thousand Baht)	528,103	525,743	205,506	224,536

21. PROMOTIONAL PRIVILEGES

The Company and its subsidiaries 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 promotion certificates 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)
1815(2)/2549	Manufacture of crude palm oil (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 yet begun utilizing the promotional privileges)
2121(2)/2547	Manufacture of fruits and vegetables (has not yet begun utilizing the promotional privileges)
2112(5)/2547	Manufacture of frozen fruits and vegetables (has not yet begun utilizing the promotional privileges)

Jointly controlled entity

<u>Certificate No.</u>	<u>Operation</u>
1262(2)/2550	Manufacture of palm seed (has not yet 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, 1815(2)/2549, 1331(2)/2546, 1043(2)/2548, 2088(2)/2547, 2121(2)/2547, 2112(2)/2547 and 1262(2)/2550 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 subsidiaries 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, 1812(2)/2549, 1331(2)/2546, 1043(2)/2548), 2088(2)/2547, 2121(2)/2547, 2112(5)/2547 and 1262(2)/2550).

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2007 and 2006 were as follows :-

(Unit : Baht)

	Separate financial statements					
	2007			2006		
	Promoted operations	Non-promoted operations	Total	Promoted operations	Non-promoted operations	Total
Sales						
Domestic sales	312,368,353	5,055,743,757	5,368,112,110	158,231,406	4,105,923,192	4,264,154,598
Export sales	52,441,908	469,160,320	521,602,228	-	188,856,957	188,856,957
Total sales	<u>364,810,261</u>	<u>5,524,904,077</u>	<u>5,889,714,338</u>	<u>158,231,406</u>	<u>4,294,780,149</u>	<u>4,453,011,555</u>

22. 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.

23. SEGMENT INFORMATION

The Company's and its subsidiaries' business operations involve two principal segments (1) manufacture and distribution of palm oil and (2) manufacture and 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 ended 31 December 2007 and 2006 were as follows :-

(Unit : Million Baht)

Consolidated financial statements for the year ended 31 December

	Manufacture and distribution			Eliminated of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		<u>2007</u>	<u>2006</u>
Revenue from external customers	5,500	1,108	6,608	-	6,608	5,295
Intersegment revenues	562	421	983	(983)	-	-
Total revenues	<u>6,062</u>	<u>1,529</u>	<u>7,591</u>	<u>(983)</u>	<u>6,608</u>	<u>5,295</u>
Segment income	710	230	940	-	940	941
Unallocated income and expenses						
Reversal of allowance for diminution in inventory value					-	28
Other income					60	51
Selling and administrative expenses					(615)	(592)
Amortisation of goodwill					(19)	(18)
Income before interest expenses and corporate income tax					366	410
Interest expenses					(62)	(65)
Corporate income tax					(64)	(63)
Income before minority interests					240	282
Income in respect of minority interests					(59)	(53)
Net income for the year					<u>181</u>	<u>229</u>

(Unit : Million Baht)

Consolidated financial statements as at 31 December

	Manufacture and distribution			Elimination of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		<u>2007</u>	<u>2006</u>
Property, plant and equipment - net	1,140	511	1,651	-	1,651	1,435
Non-operating land	-	57	57	-	57	109
Unallocated assets	3,067	596	3,663	(1,038)	2,625	2,023
Total assets	<u>4,207</u>	<u>1,164</u>	<u>5,371</u>	<u>(1,038)</u>	<u>4,333</u>	<u>3,567</u>

Transfer prices between business segments are as set out in Note 6 to the financial statements.

24. 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, the Company and its subsidiaries contribute 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 2007, total amount of approximately of Baht 7.1 million (2006 : Baht 6.5 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 4.1 million had been contributed by the Company (2006 : Baht 3.5 million).

25. DIVIDEND PAID

During the year 2007 and 2006, 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 2007</u>			
Final dividend on 2006 income	Annual General Meeting of the shareholders on 25 April 2007	164,000,000	0.20
Total for the year 2007		<u>164,000,000</u>	<u>0.20</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>	<u>0.03</u>

		(Unit : Baht)	
	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
<u>Subsidiary</u>			
<u>For the year 2007</u>			
Final dividend on 2006 income	Annual General Meeting of the shareholders on 25 April 2007	64,809,600	2.00
Interim dividends on income for the period from January to June 2007	Meeting of the Board of Directors on 10 August 2007	64,809,600	2.00
Interim dividends on income for the period from July to September 2007	Meeting of the Board of Directors on 9 November 2007	32,404,800	1.00
Total for the year 2007		<u>162,024,000</u>	<u>5.00</u>
<u>For the year 2006</u>			
Final dividends on 2005 income	Annual General Meeting of the shareholders on 25 April 2006	32,404,300	1.00
Interim dividends on income for the period from January to June 2006	Meeting of the Board of Directors on 10 August 2006	32,404,300	1.00
Total for the year 2006		<u>64,808,600</u>	<u>2.00</u>

26. COMMITMENTS

As at 31 December 2007, the Company and its subsidiaries had the following outstanding commitments:-

26.1 Capital commitments

Capital expenditure under the agreements and purchase orders for purchase of equipment including services payable in the future amounting to approximately Baht 90.4 million and USD 0.5 million (The Company Only : USD 0.1 million).

26.2 Operating lease commitments

As at 31 December 2007, 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	8.3
2 - 5 years	1.0
Total	<u>9.3</u>

26.3 Long-term service commitments

Under the agreements with a foreign shareholder in relation to the use of its trademark in the production and distribution of oil palm seed, the jointly controlled entity is obliged to pay royalty fees amounting to Euro 150,000 (in proportion to the subsidiary's interest) and is obliged to pay royalty calculated as a percentage of the net annual sales of the products, as defined in the agreements. Moreover, the jointly controlled entity is obliged to pay technical assistance fees amounting to Euro 50,000 (in proportion to the subsidiary's interest). The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contracts.

27. GUARANTEES

27.1 Bank guarantees

As at 31 December 2007, there were outstanding bank guarantees of approximately Baht 24.8 million and USD 0.5 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. These included letters of guarantee amounting to Baht 12.5 million to guarantee payments due to domestic creditors, USD 0.5 million to guarantee payments due to overseas creditors and Baht 12.3 million to guarantee electricity usage, among others (The Company Only : guarantees for electricity usage and others of Baht 7.2 million).

27.2 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	
	2007	2006
<u>Subsidiary</u>		
Universal Food Public Company Limited	180.4	180.4
Total	180.4	180.4

28. CONTINGENT LIABILITIES

28.1 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 appealed to the Appeal Court.

28.2 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.

29. FINANCIAL INSTRUMENTS

29.1 Financial risk management

The Company's and its 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, loans, 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. 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 and its subsidiaries do 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 financial institutions, bank overdrafts, short-term and long-term borrowings. However, since most of the Company's and its subsidiaries' financial assets and liabilities bear floating interest rates, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2007 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date (If this occurs before the maturity date).

	Fixed interest rate			Total	Interest rate (% p.a.)	
	More than one year but within		Floating interest rate			Non-interest bearing
	Within one year	four years				
	(Million Baht)					
Financial assets						
Cash and cash equivalents	-	-	326	-	326	0.13 - 0.75
Trade accounts receivable	-	-	-	988	988	-
	-	-	326	988	1,314	
Financial liabilities						
Bank overdrafts and short-term loans	-	-	1,574	-	1,574	3.87 - 4.90
Trade accounts payable	-	-	-	318	318	-
Liabilities under finance lease agreements	2	7	-	-	9	5.75 - 6.20
Long-term loans	-	-	133	-	133	5.26 - 7.75
	2	7	1,707	318	2,034	

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 2007 are summarised below.

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate as at 31 December 2007 (Baht per 1 foreign currency unit)
US dollars	1.3	1.0	33.75

Foreign exchange contracts outstanding at 31 December 2007 are summarised below.

Foreign currency	Sold amount (Million)	Contractual exchange rate sold (Baht per 1 foreign currency unit)
US dollars	12.4	33.50 - 34.03

29.2 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.

30. RECLASSIFICATION

In addition to the change in accounting policy as mentioned in Note 4, which affects the previously reported net income and shareholder's equity, certain other amounts in the financial statements for the year ended 31 December 2006 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity other than from the change in accounting policy.

31. SUBSEQUENT EVENT

On 28 February 2008, the meeting of the Board of Directors of the Company No. 1/2008 passed a resolution approving the payment of dividend from 2007 income to the Company's shareholders at Baht 0.10 per share.

On 28 February 2008, the meeting of the Board of Directors of a subsidiary passed a resolution approving the payment of dividend in respect of October to December 2007 earnings at Baht 3 per share or a total of Baht 97.2 million.

The payment of dividends will later be proposed for approval in the Annual General Meeting of the Company's and the subsidiary's shareholders.

32. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were authorised for issue by the Company's Board of Directors on 28 February 2008.



LAM SOON (THAILAND) PUBLIC COMPANY LIMITED

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