



# ANNUAL REPORT 2008

LAM SOON (THAILAND) PUBLIC COMPANY LIMITED



# Naturel

## Blended Canola & Sunflower Oil

- Very High Unsaturated Fat
- Perfectly Balance in The Fat Acids, Omega 3, 6, 9
- Plenty of The Essential Vitamin E
- High Smoke Point at 230°C



## ANNUAL REPORT 2008 OF LAM SOON (THAILAND) PLC.

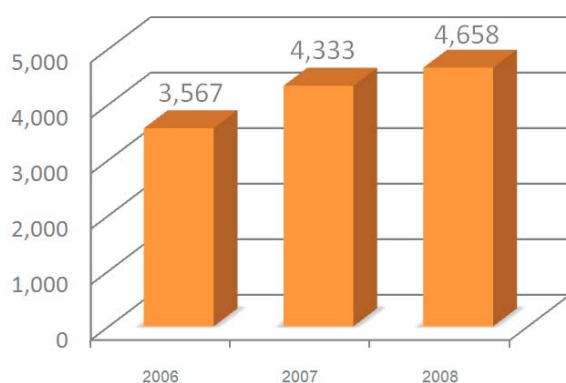
Topics	Page
1. Financial Highlights.....	1-3
2. Message from the Chairman and the Managing Director.....	4-5
3. Report of the Audit Committee.....	6
4. Report of the Board of Directors' Responsibilities for Financial Statements.....	7
5. Report of the Nomination Committee.....	8
6. Report on the Implementation of Principles of Good Corporate Governance.....	9-16
7. General Information.....	17-19
7.1 Company profile.....	17
7.2 Companies in which the Company has investment holding of more than 10%.....	18
7.3 Other references.....	19
8. Nature of Business.....	20-23
8.1 Revenue structure (Segment analysis).....	21
8.2 2008 News Highlights.....	22
9. Risk Factors.....	24
10. Palm Oil Industry and Competitiveness.....	25-32
11. Management Discussion and Analysis.....	33-40
11.1 Financial performance analysis and explanation.....	33-38
11.2 Factors which might affect financial performance in the future.....	39
11.3 Remuneration of statutory auditor.....	40
12. Shareholders and Management.....	41-50
12.1 Shareholders.....	41
12.2 Board of Directors and Management Committee.....	42
12.3 Dividend Payout Policy.....	50
13. Common Interested Persons and Connected Transactions.....	51
13.1 Connected transactions with common interested persons.....	51
13.2 Necessity and reasons for connected transactions.....	51
13.3 Measures or criteria to approve connected transactions.....	51
13.4 Connected transactions in the future.....	51
14. Other Factors Affecting Investment Decisions.....	52
14.1 Legal conflicts.....	52
14.2 Obligations on future share issuance.....	None
15. Information on Debentures or Promissory Notes.....	None
16. Financial Statements.....	Enc.



## FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

	(Unit : Million Baht)		
	2006	2007	2008
Total Assets	3,567	4,333	4,658
Total Liabilities	1,615	2,355	2,386
Shareholders' Equity	1,952	1,979	2,272
Sales	5,295	6,608	9,522
Total Revenues	5,374	6,668	9,600
Gross Profit	941	940	1,369
Net Profit	229	181	354

**TOTAL ASSETS**  
(Million Baht)

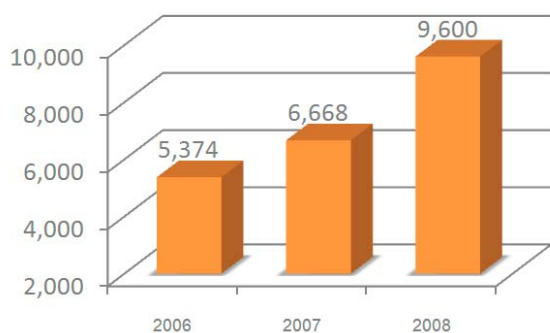


*Total assets increased by 7.48% because:-*

- 1) Inventory increased by 100.45 million Baht because a subsidiary received purchase orders of seasonal products which have been partially delivered pending the new season of crops. In addition, another subsidiary kept the stock of CPO and CPKO to sell at the proper market prices.
- 2) Fixed assets increased by 306.23 million Baht, of which 58.82 million Baht is attributed to the Company and 247.41 million Baht to its subsidiary.
- 3) Intangible assets increased by 16.77 million Baht.

*(refer to Page 35 for more detailed discussion)*

**TOTAL REVENUES**  
(Million Baht)

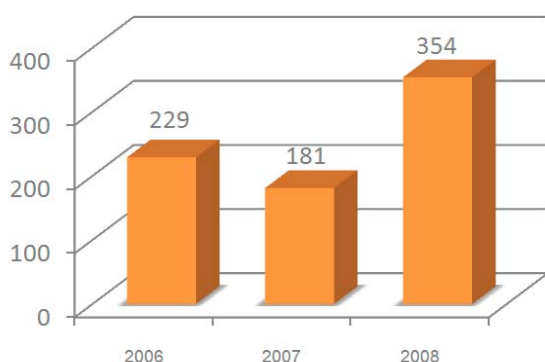


*Total revenues increased by 2,932 million Baht. Sales by LST of its own products increased by 2,429.02 million Baht or 44.79%.*

*At its subsidiaries, net sales increased by 485.84 million Baht or 41.04%. 57.41% of such increase was contributed by export sales.*

*(refer to Page 33 for more detailed discussion)*

**NET PROFIT**  
(Million Baht)



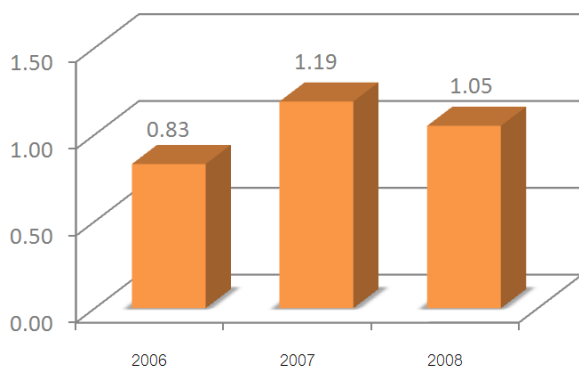
*Net profit The Company and its subsidiaries recorded an increase in net profit of 173.40 million Baht or 95.88%.*

*(refer to Page 35 for more detailed discussion)*



## FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

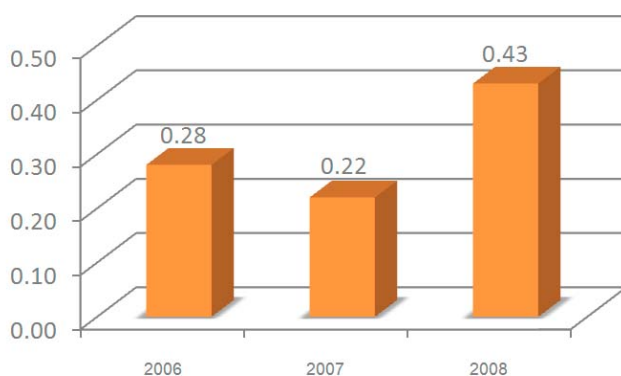
**TOTAL DEBT TO EQUITY RATIO  
(Times)**



*Total debt to equity ratio decreased to 1.05 times in 2008 (2007 : 1.19 times), due to increase in net profit*

*(refer to Page 37 for more detailed discussion)*

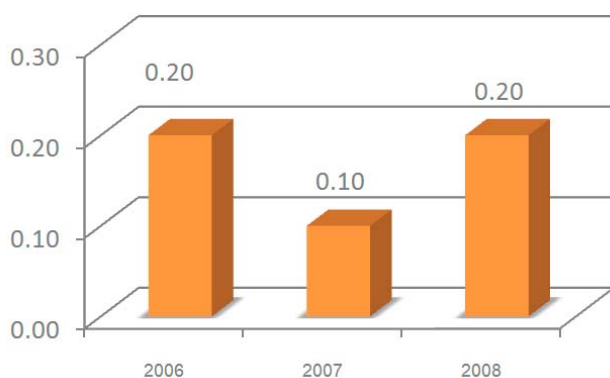
**EARNINGS PER SHARE  
(Baht)**



*Earnings per share was up from 0.22 to 0.43 Baht per share.*

*(refer to Page 35 for more detailed discussion)*

**DIVIDEND PER SHARE  
(Baht)**



*Dividend per share: Pursuant to the resolution of BOD meeting on 26 Feb 09, dividend per share of 0.20 Baht is proposed to be paid for the financial year 2008, subject to approval at AGM no. 1/2009. This would represent a payout ratio of 55.4% 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)*

## FINANCIAL HIGHLIGHTS (CONSOLIDATED FINANCIAL STATEMENTS)

### Financial ratios

(Unit : %)

	2006	2007	2008
Net Profit Margin	4.32	2.71	3.69
Return on Equity	12.44	9.20	16.67
Return on Total Assets	6.63	4.58	7.88

### Per share data

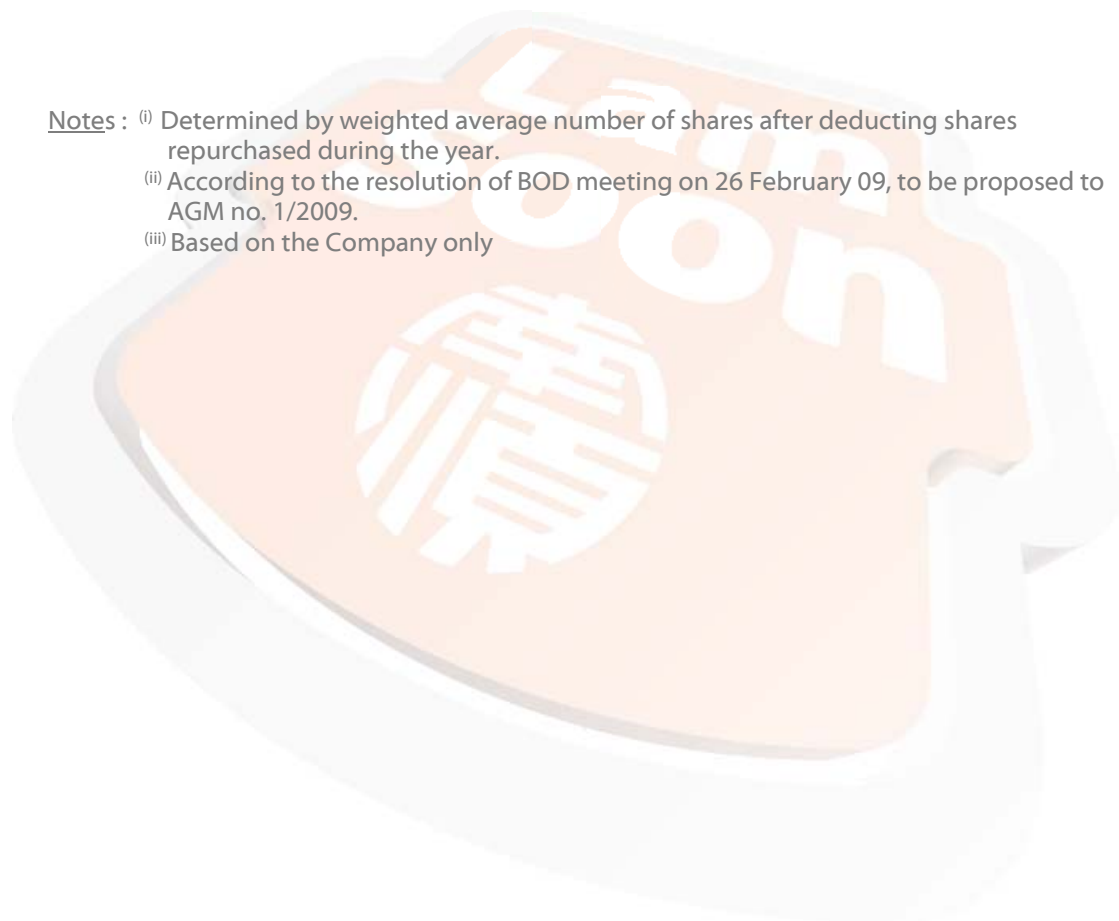
(Unit : Baht)

	2006	2007	2008
Earnings per Share	0.28 <sup>(i)</sup>	0.22	0.43
Dividend Paid per Share	0.03	0.20	0.10
Dividend per Share (operational year)	0.20	0.10	0.20 <sup>(ii)</sup>
Book Value per Share	2.04 <sup>(iii)</sup>	2.02 <sup>(iii)</sup>	2.28 <sup>(iii)</sup>

Notes : <sup>(i)</sup> Determined by weighted average number of shares after deducting shares repurchased during the year.

<sup>(ii)</sup> According to the resolution of BOD meeting on 26 February 09, to be proposed to AGM no. 1/2009.

<sup>(iii)</sup> Based on the Company only



## MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR



In the past, palm oil pricing structure was influenced by supply and demand from food and oleochemical applications as well as prices of other substitutable vegetable oil. At the present time, because of usage of palm oil as substitution energy sources, petroleum oil price has become another main factor which affects palm oil price level. This, together with speculative investment by hedge funds, has increased pricing fluctuation. Thus, in 2008, all commodity prices rose to remarkable new records. The highest petroleum oil price was at 147 USD/barrel. Similarly, world market palm oil price (the 3<sup>rd</sup> months Bursa Malaysia derivatives in future market CPO price) reached as high as 4,330 RM/ton. In late 2008, however, the global financial crisis caused petroleum oil price and palm oil price to fall to 33 USD/barrel and 1,390 RM/ton, respectively.



Moreover, since last year, the Government sector has intervened in the palm oil industry in many controlled aspects. This includes the Government sector guaranteeing fresh fruit bunch (FFB) and crude palm oil (CPO) buying price at a much higher level than the world market price, and imposing legal control on the wholesale and retail prices of bottled oil by Department of Internal Trade.

**Company's performance:** Despite many difficulties of palm oil price volatility and Government intervention which distorts market price, both the Company's revenue and net profit continued to increase from previous year as a result of proper raw material cost management and more effective management of your Company and its subsidiaries. In 2008, your Company and its subsidiaries recorded sales of 9,522.36 million Baht or 44.11 % growth and had net profit of 354.24 million Baht or 95.88 % growth. Besides the core palm oil business, the fruit and vegetable processing business performed well when compared with 2007, with Universal Food Plc. (UFC) registering a 33.94 % increase in consolidated sales.

**Production:** Your Company currently has the capacity to process 700 tons of oil per day. It is expanding capacity by another 300 tons per day to 1,000 tons per day or 365,000 tons of annual production at full capacity. Following that, your Company will be the leading refinery in the Kingdom; furthermore, your Company is the first in the country to introduce the cutting edge modern "multi-stock" technology which can process more than one vegetable oil at the same time. This new plant is expected to be commissioned by August of this year.

Your Company is working closely with the provincial electricity office to sell energy produced from biogas project by its crushing mill in Trang Province. It is expected to be operational in May 2009. The electricity energy produced from biogas not only contributes to reducing global warming but also provides additional income for your Company.

**Marketing:** Your Company introduced "Naturel" edible oil, a blend of canola and sunflower oil that gives proper balance of fatty acid essential for human body.

In 2008, "Naturel" organic camellia tea oil received positive response from consumers and various health institutions. Heart Disease Foundations of Thailand under the Royal Patronage of Her Majesty the Queen and the faculty of Public Health of Mahidol University have granted the "Heart Care Project" logo to the product label endorsing the oil as good for the heart. Furthermore, its "Organic Thailand" logo is endorsed by the Department of Agriculture, Ministry of Agricultural and Cooperative for its compliance with organic standards.

**Social and Environmental:** Your Company promotes social welfare and environment awareness. In the previous year, your Company sponsored many activities such as seminar on Metabolic Syndrome by Nutrition Science Society of Mahidol University, Annual Dietician Conference by Dietician Association of Thailand, and ongoing donations to provincial schools and community. In addition, your Company sponsored a biomass project to generate electricity consuming in a school located in Lopburi Province as alternative energy sources that promotes environment conservation and abates global warming. Your Company also joined the Roundtable on Sustainable Palm Oil (RSPO) since 11 August 2008. RSPO is an association formally established under the Swiss Civil Code in April 2004 in Zurich, Switzerland. It aims to promote the production and use of sustainable palm oil through cooperation within the supply chain.



## MESSAGE FROM THE CHAIRMAN AND THE MANAGING DIRECTOR


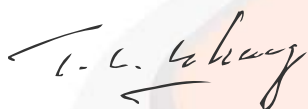
---

Besides, UFC, your Company's subsidiary, has registered with the Organic Agriculture Certification Thailand (ACT) as a pilot project in Lampang Province to produce raw material for the company's products by organic farming i.e. without the use of chemical fertilizers. It is expected to be officially certified as organic by 18 November 2009.

**Human Resources and Corporate Culture:** Your Company considers human resource to be a key factor for sustainably real business success and achievement. On that ground, the five components of corporate culture, namely (1) Accountability, (2) Can-do attitude, (3) Teamwork, (4) Continuous improvement, and (5) Take care of people, has been continually driven through various activities such as continuous improvement project contest among the company's employees. By implementing these projects, your Company aims to enhance work efficiency and innovation.

The entire world is in the midst of a very severe global recession with Thailand GDP 2009 growth forecast at -1% compared to 2.6% in 2008. This situation will definitely have adverse impact on your Company's revenue and performance in terms of reduced consumption and pressure on margin as consumers become more cost conscious. We will need to draw on our over thirty years experience in the industry, our strong financial background, the goodwill and close cooperation of all business partners to address the many challenges that will arise in what will undoubtedly be an extremely difficult year.

The Board of Directors of Lam Soon (Thailand) Public Company Limited would like to take this opportunity to thank to our shareholders, our customers, supply chains, and employees for their confidence and continuing support of the Company.



Mr. Whang Tar Liang  
Chairman



Mr. Somchai Chongsawadchai  
Managing Director

## REPORT OF THE AUDIT COMMITTEE

---

The Audit Committee comprised the following:

Art-ong Jumsai Na Ayudhya, Ph.D.  
Preecha Jarungidanan, Ph.D.  
Mr. Banchong Chittchang  
Ms. Anchalee Suebchantasiri

Chairman and Independent Director  
Member and Independent Director  
Member and Independent Director  
Secretary to the Audit Committee and Executive Director

In 2008, the Audit Committee has fulfilled and executed its duties and responsibilities in compliance with the Stock Exchange of Thailand's regulations and other activities assigned by the Board. The Committee held four meetings within the year, with substantive agenda as follows:

1. Approval of quarterly financial statements and review of annual financial statements including the disclosures of information in 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 in Notes to Financial Statements 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 2008, 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 including established Audit Working Plan for 2008;
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 for approval at the 2009 annual general meeting of shareholders, the appointment of Ernst & Young Office Limited to be the statutory auditor of the Company for 2009 including appropriate remuneration;
6. Consideration of "Board Self-Assessment" Form, a part of the Corporate Government Self-Assessment, as an instrument to internally practice for good corporate governance principles;
7. Proposal to the Board of Directors for approval of criteria to authorize the management for executing connected transactions which are normal business terms of the Company.

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  
26 February 2009

## REPORT OF THE BOARD OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

---

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 2008 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, 2008.

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



# REPORT OF THE NOMINATION COMMITTEE

---

## Establishment of the Nomination Committee

Pursuant to :-

- (a) Requirements under the Principles of Good Corporate Governance For Listed Companies 2006 under Part V (2.1) issued by the Stock Exchange of Thailand; and
- (b) Director Nomination Best Practices Guidelines by Thai Institute of Directors ("Thai IOD"),

The Board of Directors has on 13<sup>th</sup> November 2008 appointed a Nomination Committee with the following composition:-

- |                             |                                   |
|-----------------------------|-----------------------------------|
| 1. Datuk Simon Shim         | Chairman and Independent Director |
| 2. Dr. Preecha Jarungidanan | Independent Director              |
| 3. Mr. Banchong Chittchang  | Independent Director              |
| 4. Mr. Whang Shang Ying     | Executive Director                |

The Nomination Committee shall undertake the task of identifying, evaluating, selecting and proposing new nominees to the Board on an on- going basis and annually assessing the contribution of each individual Director, including independent non-executive directors.

Since its establishment on 13 November 2008, the Nomination Committee has held two meetings.



Datuk Simon Shim Kong Yip  
Chairman of the Nomination Committee  
13 March 2009

# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

---

Lam Soon (Thailand) Plc. places great importance on good corporate governance, as policy as well as in practice. Good corporate governance is viewed as a key principle in support of business decisions and operations characterised by transparency, honesty, equitable treatment of stakeholders, and efficient management practice. The Company aims to achieve sustainable business growth by applying good corporate governance principles in accordance with those prescribed by the Stock Exchange of Thailand. 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 reserve fund, election of new directors in place of those who have to 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 the 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 are 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 issued 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 Notice and would encourage shareholders to express their opinions and to raise questions related to the agenda as appropriate. Shareholders are also given the opportunity to propose additional items to the agenda. In addition, the minutes of the meeting recording the major questions and comments 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](http://www.lamsoon.co.th) for shareholders to provide their comments before the next shareholders' meeting is convened.

In 2008, the Company called one Shareholders' meeting being the Annual General Meeting of Shareholders (AGM) on 28 April 2008. A total of seven directors attended the meeting, including four executive directors and three independent directors. The Chairman of the Board and one independent director were absent with apologies. However, the Company will endeavor to have all the Directors attend the AGM.

## 2. Equitable Treatment of Shareholders

The Company respects the rights of all shareholders whether majority, minority, individual investors, or 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 are also sent to shareholders so that those unable to attend the meeting may authorize a representative or an independent director, as designated by the Company, to be their proxy to attend the meeting on their behalf.

The Company prepares voting papers every time a shareholders' meeting is convened. However, a shareholder may cast his/her vote in the voting paper for cases of negative vote or abstention upon the general agenda, and in case of the crucial agenda such as connected transactions, the acquisition or disposal of assets, the amendment of the Company's Memorandum, and Articles of Association.

All directors and management are required to report their securities holding every quarter for the Board to safeguard against the use of the Company's sensitive internal information for personal benefit. In addition, the Board has set up appropriate written measures to safeguard the use of sensitive internal information and document.

The Company has not yet finalised the regulations for directors and management to disclose to the Board the stake holding information of themselves and of their related persons. In practice, when such connected transactions occur, relevant directors and management will not be involved in considering the transactions. Connected transactions in the past were between subsidiary and the Company itself, some directors of which are represented and appointed by the Company.

The Company has not yet finalised the regulations for minority to add agenda before the meeting date, including the proposal of candidate for selection as director in advance. The Board of Directors has assigned the Nomination Committee to establish any necessary criteria in order to implement the above two principles and propose to the Board. It is expected to be implemented at the shareholders' meeting in 2010 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 a critical 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.



# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

---

- Trading partners: The Company recognizes that trading partners support the business operation, and honors the terms of all trading agreements entered into 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 bio-gas 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 set out 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 (set out on Page 7) to the shareholders and other stakeholders, distributed through the Stock Exchange of Thailand and website, [www.lamsoon.co.th](http://www.lamsoon.co.th)

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](mailto:secretary@lamsoon.co.th) or website [www.lamsoon.co.th](http://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 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. Even though the Chairman is not an independent director, the Chairman and the Managing Director is not the same person as the Company does not have any one of director exercising unlimited authority. The Company is satisfied 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.

In 2008, the Company appointed a Company Secretary to provide advice and recommendations pertaining to legal, and regulatory issues and practices to the Board as well as to follow up to ensure the implementation of the Board's resolutions, laws and regulations.

# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board of Directors has adopted the following definition of "Independent Directors":-

- (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 less stringent than the minimum requirement of the Securities and Exchange Commission for the part of holding shares being higher than the notification. The Company will propose the Board to consider this issue at the Board Meeting no. 1/2009 being arranged on 26 February 2009. However, in accordance with the shareholding reported by each director in quarterly basis, it has not found any Independent Director holding the Company's shares in 2008.

## 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 2008, the committee held 4 meetings. 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 2008, the Audit Committee held 4 meetings, with attendance shown as below:-

Name	Period of Directorship	Attendance / Total Meetings
(1) Art-ong Jumsai Na Ayudhya, Ph.D.	2007-2008	4/4
(2) Preecha Jarungidanan, Ph.D.	2007-2008	4/4
(3) Mr. Banchong Chittchang	2007-2008	4/4

Apart from the Audit Committee, the Board has appointed 3 committees for remuneration, for share allocation, and for nomination. The roles and responsibilities of the three committees have already been determined.

1. The remuneration committee comprises 2 independent directors and 1 executive director. In 2008, the remuneration committee held two meetings on 19 February and 13 November which was attended by all members.
2. The share allocation committee, the members of which has not been yet re-appointed to replace those who resigned.
3. The nomination committee comprises 3 independent directors and 1 executive director. In 2008, there were no meetings as the committee had just been appointed by the Board on 13 November 2008.

To be transparent and independent, the majority of members including the Chairman of each sub-committee are independent directors. The Chairman of the Board is neither the Chairman nor a member of any of those sub-committees.

# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

## 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). In addition, the Management has to report to the Board all transactions of an amount higher than 100,000 Baht on a quarterly basis.

### 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.



# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Audit Committee has given the recommendation 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 39.

## 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 may 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 Notice 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 2008, the Board of Directors held 4 meetings. The attendance record is as follows:

Name of Director	Period of Directorship	Attendance (Times)		
		Regular	Extra	Total
(1) Mr. Whang Tar Liang	2007-2010	3	-	3
(2) Art-ong Jumsai Na Ayudhya Ph.d.	2008-2011	4	-	4
(3) Preecha Jarungidanan Ph.d.	2007-2009	4	-	4
(4) Mr. Banchong Chittchang	2008-2011	4	-	4
(5) Datuk Simon Shim Kong Yip	2008-2011	4	-	4
(6) Mr. Whang Shang Ying	2006-2009	4	-	4
(7) Mr. Somchai Chongsawadchai	2007-2010	4	-	4
(8) Mr. Ampol Simarojana	2007-2010	4	-	4
(9) Ms. Anchalee Suebchantasiri	2006-2009	4	-	4

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 2008, there were at least 2 meetings of non-executive Directors which were not attended by Executive Directors.

The Company has not determined the maximum number of other companies on the board of which the Chairman, Directors or Managing Director may serve. 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 overseas 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.

Each director follows the above guidelines. However, based on the above attendance record, it is assumed that each Director of the Company is able to attend the scheduled meetings regularly.

# REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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 managing director and 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 2008, the remuneration of directors and management were as follows:-

- The Chairman and all directors received fees totaling 3,312,000 Baht (2007 : 2,690,594 Baht) which was paid on monthly basis starting from May 2008, whereas such fee had previously been paid twice a year in June and December. The Company 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 fees totaling 2,992,000 Baht (2007 : 2,510,226 Baht) remuneration as directors of subsidiaries.
- Three members of Audit Committee received fees totaling 876,000 Baht (2007 : 595,796 Baht), which was paid on monthly basis starting from May 2008, whereas such fee had previously paid twice a year in June and December.
- The management received salary and bonuses totaling 81,192,810 Baht (2007 : 67,166,440 Baht). Other forms of remuneration include Company's cars and related expenses, medical expense, and accidental insurance.

Persons comprising the management are:		
	2008	2007
Managing Director	1	1
Executive Directors	2	2
Department Managers	6	6
<b>Total</b>	<b>9</b>	<b>9</b>

## REPORT ON THE IMPLEMENTATION OF PRINCIPLES OF GOOD CORPORATE GOVERNANCE

---

### 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.

The Company takes into account the executive development and considers the succession plan by recruiting Management Trainees.

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.



## GENERAL INFORMATION

---

### 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



## GENERAL INFORMATION

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

#### 1. United Palm Oil Industry Public Company Limited (UPOIC)

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 075-666 075-80 Fax 075-666 072
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 (UFC)

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 Bhapatone-Banpaew Moo 3, Don-yai-hom, Muang District, Nakorn Pratom 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%



## GENERAL INFORMATION

---

### 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  
33<sup>rd</sup> 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 : 3

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 : 25<sup>th</sup> 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. Processed 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. Other non-palm vegetable oils (Coconut Oil, Soybean Oil, Sunflower Seed Oil, Corn Oil, Camellia Oil, Olive Oil, Blended Oil Canola and Sunflower Oil)
3. Shortening and Margarine
4. Packed and frozen tropical fruits and vegetables
5. Fruit juices and juice drinks, coffee and miscellaneous beverage
6. Sauces and seasonings

Items 4, 5, and 6 are manufactured by its subsidiary, Universal Food Public Company Limited (UFC), and UFC's subsidiary, Union Frost Co., Ltd.

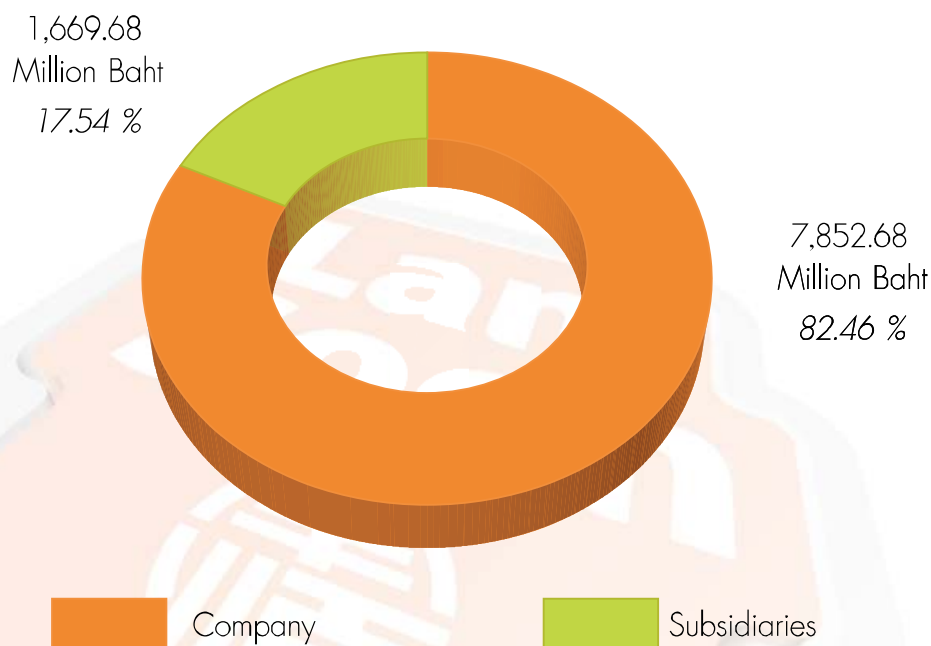


## NATURE OF BUSINESS

### Revenue structure (Segment analysis)

	2006	2007	2008	Mil.Baht Segment (%)
LST	4,114.61	5,423.66	7,852.68	82.46
Subsidiaries	1,180.41	1,183.84	1,669.68	17.54
Total	5,295.02	6,607.50	9,522.36	100.00

### Sales Contribution of Lam Soon Group : Company / Subsidiaries (2008)



Product/Services by Group	Operated by	2006		2007		2008	
		Mil. Baht	%	Mil. Baht	%	Mil. Baht	%
Vegetable Oil	LST and UPOIC	3,734	70.31	5,017	75.72	7,407	77.55
Margarine & Shortening	LST	426	8.02	459	6.92	552	5.77
Other palm based products	LST and UPOIC	33	0.62	28	0.42	60	0.62
Fruits and Vegetables	LST and UFC (i)	876	16.49	820	12.38	1,128	11.81
Drinks	LST and UFC (i)	172	3.24	235	3.54	323	3.39
Sauces and Seasonings	LST and UFC (i)	70	1.32	67	1.02	82	0.86
Total Sales		5,311	100.00	6,626	100.00	9,552	100.00
Less Goods Returned and Trade Discount		(16)		(18)		(30)	
Total Sales - Net		5,295		6,608		9,522	

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

### 2008 News Highlights

#### Corporate Governance :

##### 1. The appointment of Company Secretary

To comply with the Securities and Exchange Act (No. 4) B.E. 2551 which came into force on 31 August 2008, at the Board Meeting no. 3/2008 on 7 August 2008, the Board of Directors resolved to approve the appointment of Ms. Anchalee Suebchantasiri, Executive Director to be a Company Secretary with immediate effect. The responsibilities and other relevant details were determined as follows:-

- 1.1 the Corporate Headquarters of Lam Soon (Thailand) Public Company Limited is the place where the company documents would be kept;
- 1.2 the responsibilities of the Company Secretary are as follows:-
  - 1.2.1 preparing and keeping the following documents:
    - register of directors,
    - notice calling director/shareholder meeting,
    - minutes of meeting of the board/shareholders,
    - annual report of the Company;
  - 1.2.2 following up to ensure the implementation of the Board's and Shareholders' resolutions,
  - 1.2.3 keeping reports on interest filed by a director or an executive and submit a copy of the report to the Chairman and the Chairman of audit committee within seven business days,
  - 1.2.4 providing advice and recommendations pertaining to legal, and regulatory issues and practices as well as to ensure that the company, directors and management operate in compliance with laws and regulations,
  - 1.2.5 ensuring that corporate information disclosure and related regulatory filings are in accordance with laws and regulations of the Securities Exchange of Thailand and the SEC as well as other related laws,
  - 1.2.6 liaise with related governance authority units,
  - 1.2.7 do other functions as assigned by the Board from time to time.

##### 2. The appointment of Nomination Committee

At the Board Meeting no. 4/2008 on 13 November 2008, the Board of Directors resolved to appoint Nomination Committee (NC), the members of which comprises three Independent Directors namely Datuk Simon Shim, Preecha Jarungidanan Ph.d., Mr. Banchong Chittchang, and one Executive Director, Mr. Whang Shang Ying. The responsibilities and other relevant details were determined as follows:-

- 2.1 the main functions and responsibilities of NC include are as follows:-
  - 2.1.1 To set the qualification of candidates taking into consideration the structure, size, and composition of the Board as defined by the Board of Directors,
  - 2.1.2 Selecting and nominating list of suitable candidate to the Board,
  - 2.1.3 To work out the succession plan for Top Executives, CEO in particular.
- 2.2 NC composes mostly of Independent Directors. The Chairman of NC is Independent Director and is not the same person as the Chairman of the Board;
- 2.3 the number of NC members should be at least 3 members;
- 2.4 there are NC meeting at least once a year;
- 2.3 the term of NC is 3 years, complying with the term of directorship.

## NATURE OF BUSINESS

### Production : Being a member of Roundtable on Sustainable Palm Oil (RSPO)

The Company has continually conducted its business in socially and environmentally responsible manner. To publicly communicate this commitment, the Company joined the Roundtable on Sustainable Palm Oil (RSPO) since 11 August 2008. RSPO is an association formally established under Article 60 of the Swiss Civil Code in April 2004 in Zürich, Switzerland which aims to promote the production and use of sustainable palm oil through cooperation within the supply chain.

### Marketing : Product endorsement and new product launches

In 2008, "Naturel" brand organic camellia tea oil received positive response from consumers and various health institutions. Heart Disease Foundations of Thailand under the Royal Patronage of Her Majesty the Queen and the faculty of Public Health of Mahidol University have granted the logo "Heart Care Project" to the product label to assure that the oil is goodness for heart. Furthermore, its "Organic Thailand" logo is endorsed by Department of Agriculture, Ministry of Agricultural and Cooperative for its purity and compliance with organic standard.

In order to be a sustained market leader in vegetable oil for health, the Company launched Blended Canola and Sunflower Oil under the same brand "Naturel" in 2008, which obtaining the proper balance of essential fatty acid.

In addition, Universal Food Public Company Limited (UFC), the Company's subsidiary, launched three new variants of 100% fruit and vegetable juice under "Chooze" brand as follows:-

1. 100% Mixed Fruit and Vegetable with Spinach Formula
2. 100% Mixed Fruit with Mangosteen Formula
3. 100% Pomegranate with Mixed Fruit Juice





# RISK FACTORS

---

## 1. Climate

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 uncontrollable factors such as weather condition, rainfall level, and the quantity of Fresh Fruit Bunch (FFB) harvested in Thailand in each season. For the Company itself in particular, the quantity and the price of Crude Palm Oil (CPO) will have a material impact on cost of goods sold for its refinery operations.

## 2. Palm Oil Price Volatility

The monthly average price of CPO in 2008 fluctuated between 17.02 and 36.26 Baht/kg. The average price was 28.96 Baht/kg, or an 18% increase from 2007. More recently, because of usage of palm oil as substitution energy sources, petroleum oil price has become another main factor which affects palm oil price and this further increases the volatility of palm oil price. Faced with high volatility of raw material cost, the Company has taken steps to mitigate business risk by practicing cautious stock management of raw materials and finished products. Data on production, export and volume of palm oil inventory in the Kingdom and in other countries including world price of petroleum are closely monitored for the purpose of forecasting the price and volume of CPO to be supplied in the market each season.

## 3. Price Intervention by Government Sector

The Government has from time to time intervened in the palm oil industry e.g.:-

1. To relieve the situation of tight palm oil supply and high market price which had been prevailing since November 2007, on 22 January 2008 the Government Cabinet resolved to allow the Public Warehouse Organization to import 30,000 tons of Crude Palm Olein by 29 February 2008 under the ASEAN Free Trade Association (AFTA). However, owing to the delay of approval, by the time the importation was carried out at the end of February 2008, the supply of palm oil output had greatly increased, leading to the price dropping sharply.

2. On 19 November 2008 the Government Cabinet resolved to assist farmers by implementing the 2008/09 programme to shore up FFB price to 3.50 Baht/kg and set CPO price at 22.50 Baht/kg for 100,000 tons, when world market price was as low as 14-15 Baht/kg. Before the programme was implemented in January 2009, local market price rose steeply in view of the approaching low crop season to exceed even the fixed prices.

In addition, the Internal Trade Department had adjusted ceiling retail price of bottled palm oil on two occasions in 2008: firstly on 28 January 2008 by increasing from 43.50 to 47.50 Baht per 1-Lt bottle (incl. VAT); and subsequently on 24 October 2008, by decreasing the ceiling from 47.50 to 38 Baht for the purpose of subsistence for consumers. Such a move is inconsistent with the Government's November 2008 programme to support depressed FFB price described above.

The above non-synchronised actions by, and conflicting priorities of, various Government Departments distorted the market mechanism and caused confusion to business owners.

## 4. Global Recession

In November and December 2008, Thai exports declined by double digit. Such decline is likely to continue in 2009 as all major export markets, i.e. the US, Europe and Japan, are in recession and experiencing a severe slowdown in demand. In this scenario, exports of tropical fruits and vegetables by the Company's subsidiaries, Universal Food Plc. and Union Frost Co., Ltd. will be affected.

# PALM OIL INDUSTRY AND COMPETITIVENESS

## Overview

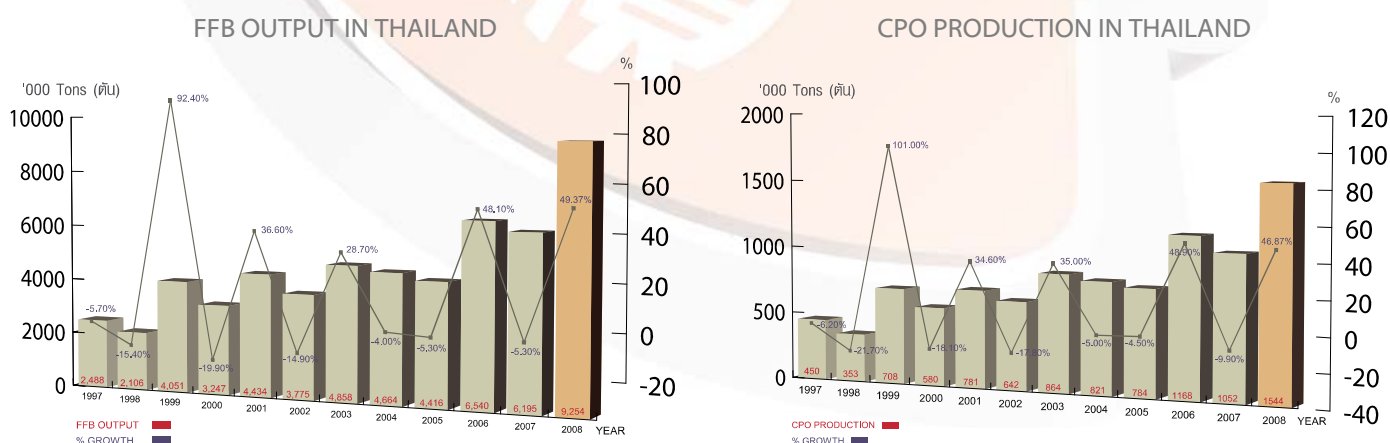
The productivity per unit land area for oil palm is much higher than that for any other major oil crop, which, combined with its perennial nature and higher yield, leads to comparatively lower production cost. Palm oil therefore has become the lowest-priced source of edible oil in today's consumer market. Palm oil has many beneficial quality characteristics, the range of uses in both food and non-food industry including the alternative source of energy seems set to continue its steady expansion of recent years. The present value of the palm oil industry in the Kingdom is estimated at 50 billion Baht.

Major palm oil producers are Indonesia and Malaysia, followed by Thailand and Nigeria which respectively produce 20 million tons, 18 million tons, 1.5 million tons, and 1 million ton. Malaysia and Indonesia collectively account for more than 90% of the total amount produced.

**Oil Palm Harvesting Areas** At present, there are approximately 2.8 million rai of harvesting areas in the Kingdom, which continues to increase. Around 95% of oil palm growing areas are located in Southern Thailand; i.e. the Provinces of 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** 2008 was a golden year for oil palm. Both quantity and price of FFB increased. The oil palm output increased from 6.2 million tons in 2007 to 9.2 million tons. The lowest output was 487,831 tons in December and highest output was 1,044,219 tons in May. In total, 1,543,761 tons of CPO was produced in 2008, an increase of 47% from 2007. By these figures, the Kingdom's average oil extraction rate (OER) in 2008 was 16.7%, lower than in 2007. CPO stock at end 2008 was 107,947 tons (source : Internal Trade Department) compared to 88,916 tons at end 2007. The annual CPO output increased significantly due to underlining fundamental factors as follows:

- productive age of palm trees;
- enlarged harvesting area;
- proper pattern of rainfall distribution in 2006 and 2008.



Source: Internal Trade Department

## PALM OIL INDUSTRY AND COMPETITIVENESS

---

**Processing capacity** The number of CPO crushing mills has increased from 43 in 1999 to 66 at present, giving rise to a current total milling capacity of about 18 million tons of FFB per year. Even though 2008 registered a FFB output of 9 million tons, compared with 6.2 million tons in 2007. It corresponded to only about 50% of total milling capacity. Such excess milling capacity contributed to palm oil market price volatility and ultimately hinders the development of the palm oil milling industry in Thailand.

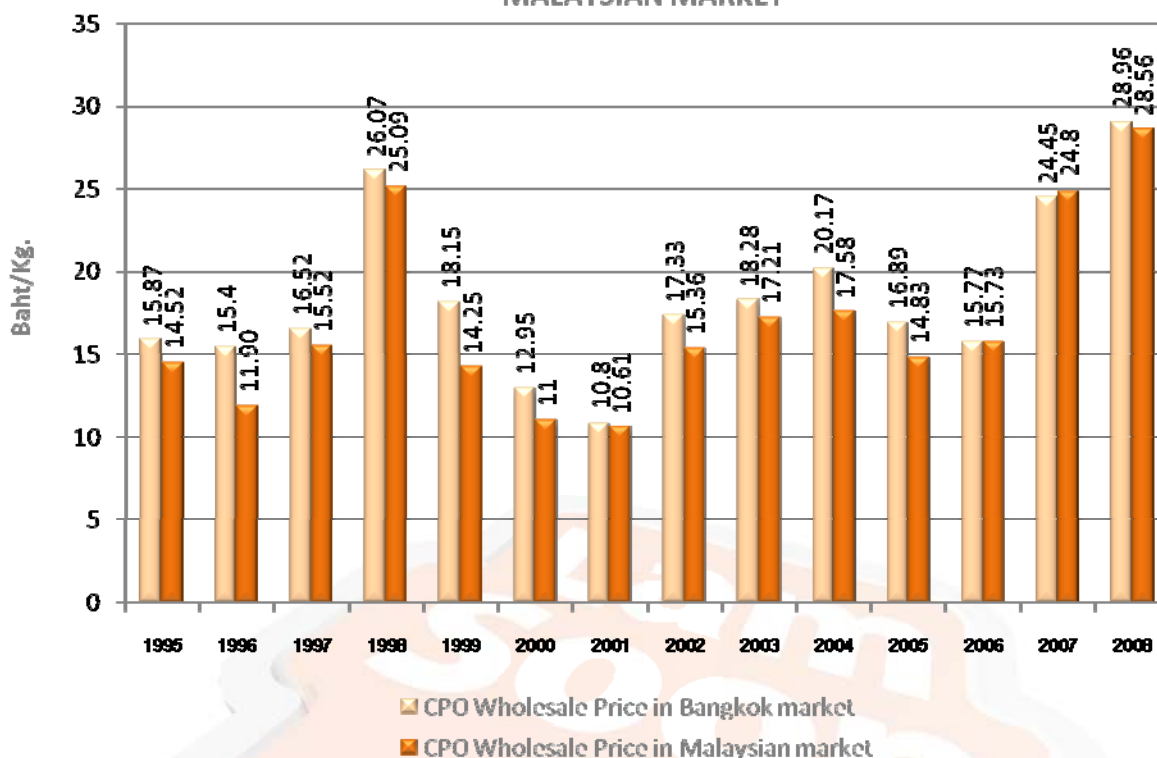
**Palm Oil Price and Market Condition** In 2008, CPO price in world market was higher than that in 2007 for the third consecutive year; the 3<sup>rd</sup> month Bursa Malaysia derivatives CPO price ranged from a low of 1,390 Ringgit per ton in October to a high of 4,330 Ringgit per ton in March, or an average of 2,852 Ringgit per ton, an 18% increment compared to 2,418 Ringgit per ton in 2007.

Likewise, domestic CPO price had climbed continuously since early 2008 and peaked at the middle of the year. Figures from the Internal Trade Department show that in 2008, the monthly average domestic price of CPO fluctuated between 17.02 – 36.26 Baht/kg (2007 : 18.63 – 31.47 Baht/kg), and the monthly average domestic price of FFB fluctuated between 2.88 – 6.05 Baht/kg (2007 : 3.27 – 5.54 Baht/kg). The annual average price of FFB and CPO was 4.56 and 28.96 Baht/kg (2007 : 4.24 and 24.45 Baht/kg). Such figures were quite close to our forecast in its 2007 annual report that the annual average domestic CPO price would be not lower than 28 Baht/kg and FFB price 4.50-5.00 Baht/kg.

In the first six months of 2008, in particular, FFB price remained at high level despite FFB supply abundant. However, as petroleum price in the world market increased sharply and reached the all-time high at 147 USD/barrel in July, palm oil price in both world market and local market followed in tandem. Later with the onset of the world financial crisis, petroleum price collapsed to 33 USD/barrel at the year-end. Bio-diesel price and palm oil price followed the same trend. The leading palm oil importers namely China and India delayed placing orders leading to the stagnation of palm oil market in Thailand. FFB price dropped sharply to as low as 2.50 Baht/kg compared with 6 Baht/kg at the beginning of the year.

In order to avoid the price collapse and not to disturb the policy to expand oil palm plantation for Bio-diesel, the Government Cabinet resolved on 19 November 2008 to implement the 2008/09 programme to support palm fruit price at 3.50 Baht/kg or equivalent to CPO price at 22.50 Baht/kg for 100,000 tons. The Public Warehouse Organization, a Government arm under the Ministry of Commerce (MOC), is the authority empowered to purchase and hold the CPO stock in its inventory waiting for a proper time to unload the stock. Palm oil crushing mills who desired to sell CPO at this price to MOC must enter into an agreement and will be obliged to buy FFB from the farmers at 3.50 Baht/kg (based on O.E.R. at 17%). The programme was set to operate during November 2008 to January 2009.

## COMPARISON OF CPO WHOLESALE PRICE BETWEEN BANGKOK AND MALAYSIAN MARKET



Sources : Agricultural Economic Research, Internal Trade Department

### Palm Oil Production and Price Outlook for 2009

It is estimated that 8.5 million tons FFB would be produced in 2009, or 8% lower than the previous year, for three main reasons:

- It appears that high yield and low yield are obtained on an alternate year especially in old mature plantings.
- As fertilizer prices have risen continuously for 3 years, most growers have reduced application rates.
- Rainfall distribution pattern is likely to be relatively poorer than that in the previous year.

Monthly FFB distribution pattern of the Kingdom would be more even than that in 2008. An estimated 480,000 tons or 5.6 % of total in the trough (January) and 900,000 tons or 11.0% in the peak (May) will be obtained.

It is believed that OER in 2009 will be better due to less rotten fruits, which cause the decrease of oil loss and free fatty acid. However, low quality FFB of small holders is still a problem due to inadequate fertilizer application. Moreover, they prefer to sell FFB to nearby collection ramps where they are neglecting harvesting standard and fruit quality. Purchased FFB is kept for a couple of days, watering, separate loose fruits, all of which directly effect extraction rate by the time they are delivered to the mill.

Annual average FFB price for 2009 is expected to be higher than 3.20 Baht per Kg and average CPO price is estimated about 20.0 Baht per Kg; but much depends on Government policy, world palm oil price, and petroleum fuel price as for demanding of biodiesel, all of which are difficult to predict.

## Estimation of planted area and Palm Fruits in the Kingdom in 2009

Province \ Palm Age	4-5 yrs	> 16 yrs	6-10 yrs	11-16 yrs	Total (rai)
Krabi	25,000	295,000	280,000	210,000	810,000
Surat Thani	50,000	215,000	300,000	195,000	760,000
Chumporn	30,000	195,000	196,000	225,000	646,000
Nakorn Srithammarat	70,000	5,000	10,000	5,000	90,000
Satul	10,000	43,000	18,000	18,000	89,000
Trang	15,000	29,000	22,000	22,000	88,000
Prachuab Kirikhan	3,000	10,000	26,000	40,000	79,000
Chonburi	8,000	20,000	23,000	23,000	74,000
Pang-Nga	30,000	24,000	18,000	9,000	81,000
Ranong	3,000	7,000	20,000	20,000	50,000
Others	15,000	44,000	29,000	29,000	117,000
<b>TOTAL</b>	<b>259,000</b>	<b>887,000</b>	<b>942,000</b>	<b>796,000</b>	<b>2,884,000</b>
<b>Estimation (tons/rai/yr)</b>	<b>0.75</b>	<b>3.25</b>	<b>3.30</b>	<b>3.00</b>	<b>2.97</b>
<b>Estimation (tons)</b>	<b>194,250</b>	<b>2,882,750</b>	<b>3,108,600</b>	<b>2,388,000</b>	<b>8,573,600</b>
<b>Productive month</b>	<b>Jan-Apr</b>	<b>Jan-Apr</b>	<b>May-Aug</b>	<b>Sep-Dec</b>	

## Growth Trends in the Palm Oil Industry

### 1. Bio-diesel

To encourage environment conservation and to lessen global warming by using sustainable bio-products instead of petrochemical products, Thai state policy has promoted the development of substitute energy. Biodiesel will eventually become an important alternative energy source of petroleum fuels. Thailand as an agricultural country produces adequate foods for its citizens and has surplus to supply foreign countries. As such, it is able to develop more energy crop. However, significant volatility of petroleum fuel prices such as occurred in 2008 would increase risk in managing cost of substitute bio fuels.

Furthermore, to produce substitute bio fuels from food crops it might have been coupled with complementary measures to explicitly demarcate growing for foods from producing for energy sources. Otherwise it would affect industrial food pricing structure. In the United States of America, for instance, a large amount of corn was manufactured into ethanol and caused corn getting a very high price. This had the result of corn growers preferring to sell corn to the corn ethanol manufacturer rather than foods producer.

In 2008, the Ministry of Energy has ordered every fuels traders to sell bio fuel – B2 (2% of B100 bio fuel mixed to diesel oil) instead of petro fuels effected from 1<sup>st</sup> February 2008. B5-bio fuels have been planned to sell in 2011, by that, there will be demanding for B100 at 3 million liters per day or equivalent to 1 million ton CPO, compared to 300,000-400,000 tons CPO per year to produce B2 nowadays. To do so, however, palm oil supply needs to expand 2.5 million rais of oil palm planting by using certified planting materials to grow in vacant land, disused paddy field, acid soil areas, and swamp rubber areas to which palm oil development plan for 2008-2012 has budget of 9,500 million Baht. Therefore, in addition to the existing areas of 3 million rais, a total of 5.5 million rais is needed to produce about 9 million tons of CPO to support B5 bio-diesel utilization.

Conditionally, price and supply of palm oil are the important constraints to produce bio fuels; if CPO price is continuing at high level. The following situations will arise:

1. B100 producer to stop the process;
2. High cost of producing bio fuels undermines the policy to promote alternative source of energy, while increasing cost of consuming palm oil products and eventually affect food industry;
3. Without free market under AFTA, palm oil continues to be smuggled from foreign country;
4. Legal restrictions on selling of B2- bio fuel.



	Forecasted Demand for Bio-Diesel				
	2008	2009	2010	2011	2012
	B2			B5	
Demand for B100 (Mil. Liters/day)	1.16	1.33	1.38	3.02	3.40
Demand for CPO (Mil. Tons/year)	0.39	0.45	0.47	1.02	1.06

Source : Ministry of Energy

### 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 Government support for 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 the 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 CO<sub>2</sub> 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 such as oleochemical industry. 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 2,000,000-3,000,000 tons per year after the government made it compulsory to use "B2" Bio-Diesel since February 2008 and "B5" Bio-Diesel in 2011. 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

As explained earlier, 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 to reduce the average processing cost, the quality of raw materials is sometimes over-looked. 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.

Furthermore, in the past years, not only the volatility of petroleum oil price but also intervention policy enforced by the Government, especially during 1-2 years ago, greatly affected CPO price structure in Thailand.

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 the Public Warehouse Organization. This was a tool intended to lessen the volatility of Thai palm oil market but in practical basis, it appeared not to be in a proper timing when execution. In November 2007, as one occasion, Thailand faced the shortage of palm oil while 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) to relieve the situation of tight palm oil supply and high market price which has been prevailing since November 2007. However, owing to the delay of approval, by the time the importation was executed at the end of February 2008, the supply of palm oil output had greatly increased, leading to the price dropping sharply.

Another occasion, the Government Cabinet resolved on 19 November 2008 to assist farmers by implementing the 2008/09 programme to shore up FFB price to 3.50 Baht/kg and set up CPO price at 22.50 Baht/kg for 100,000 tons, when world market price, at that moment, was as low as 14-15 Baht/kg. Before the programme was implemented in January 2009, local market price adversely jumped up exceeding even the fixed prices in view of the approaching low crop season.

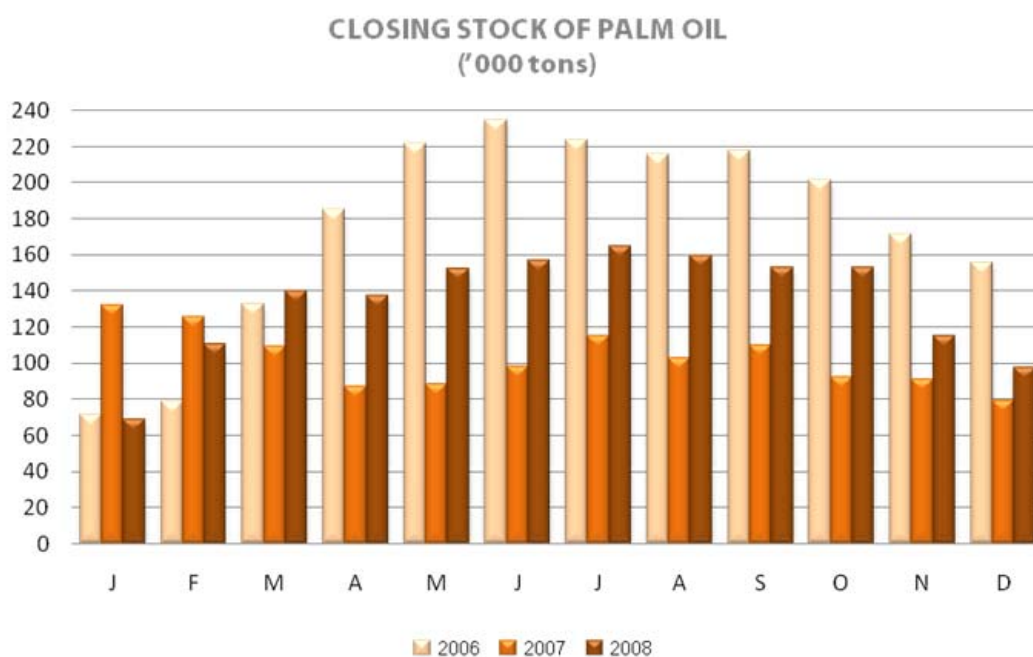
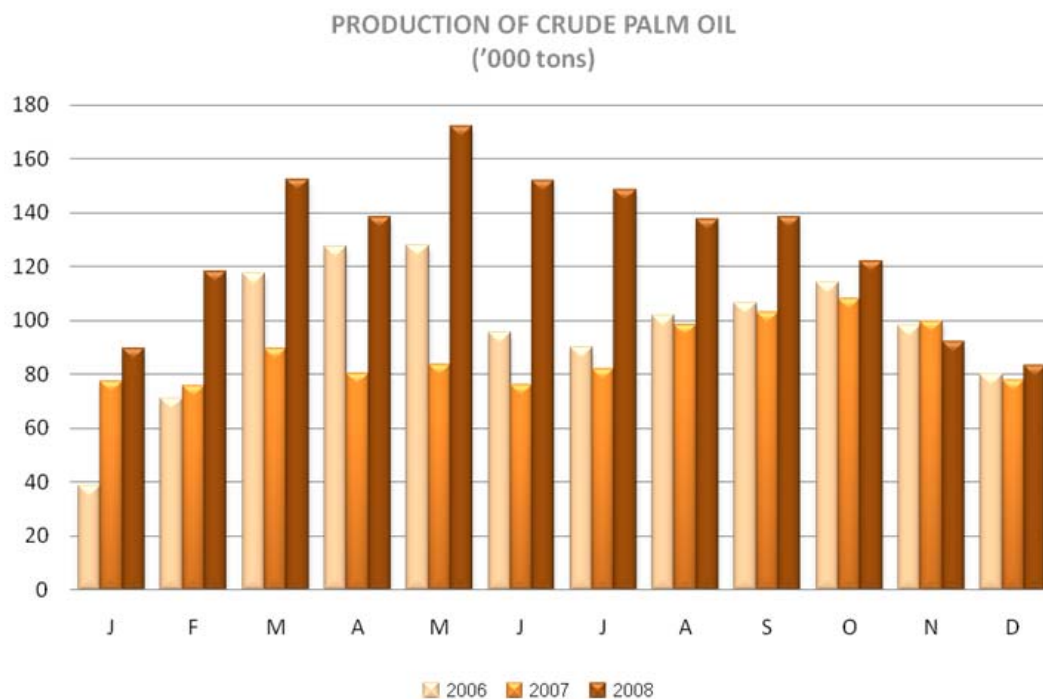
Therefore, it should be the right time for the Government to let the market mechanism freely operate without any sanctions, by allowing AFTA to come into full force. This could enhance the trading system and price structure efficiently reflecting demand and supply pattern.

Hence, factors influenced Thai palm oil industry lead to unexpected circumstance, and difficult to forecast.

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. Even though there is an increase in over supply of palm oil after basic consumption in the Kingdom from 300,000 tons to 600,000 tons at present, pricing and quantity fluctuations of each year remain an obstacle for the market to reach equilibrium before it is ready to further develop downstream industries such as biochemical and Bio-diesel industry in particular.

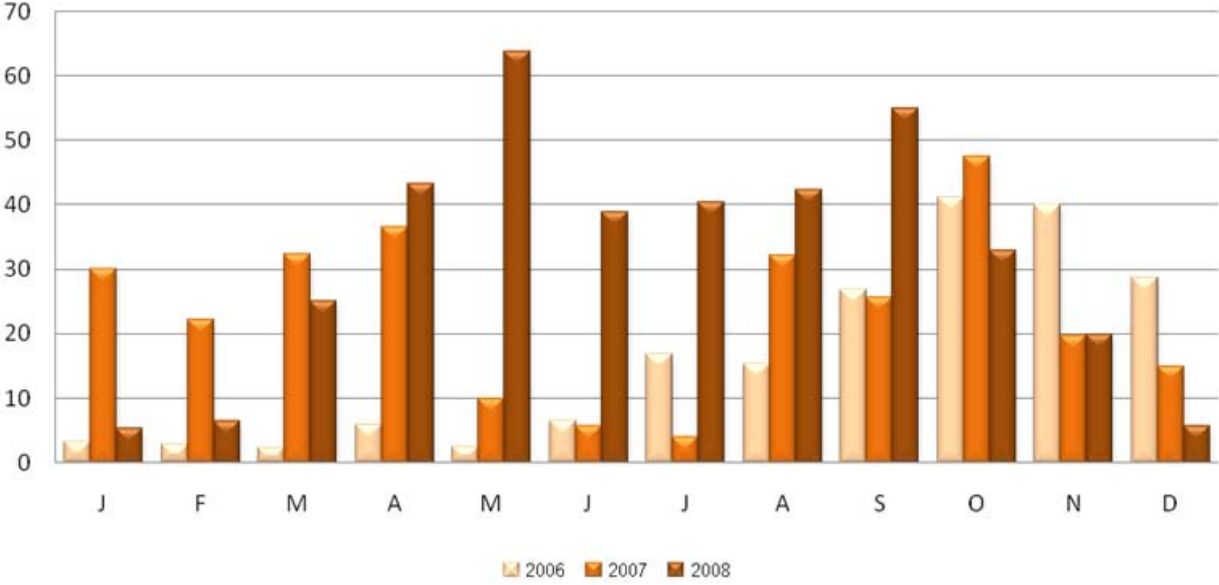
# PALM OIL INDUSTRY AND COMPETITIVENESS

PERFORMANCE OF CRUDE PALM OIL IN THAILAND 2008 (Source : Internal Trade Department)

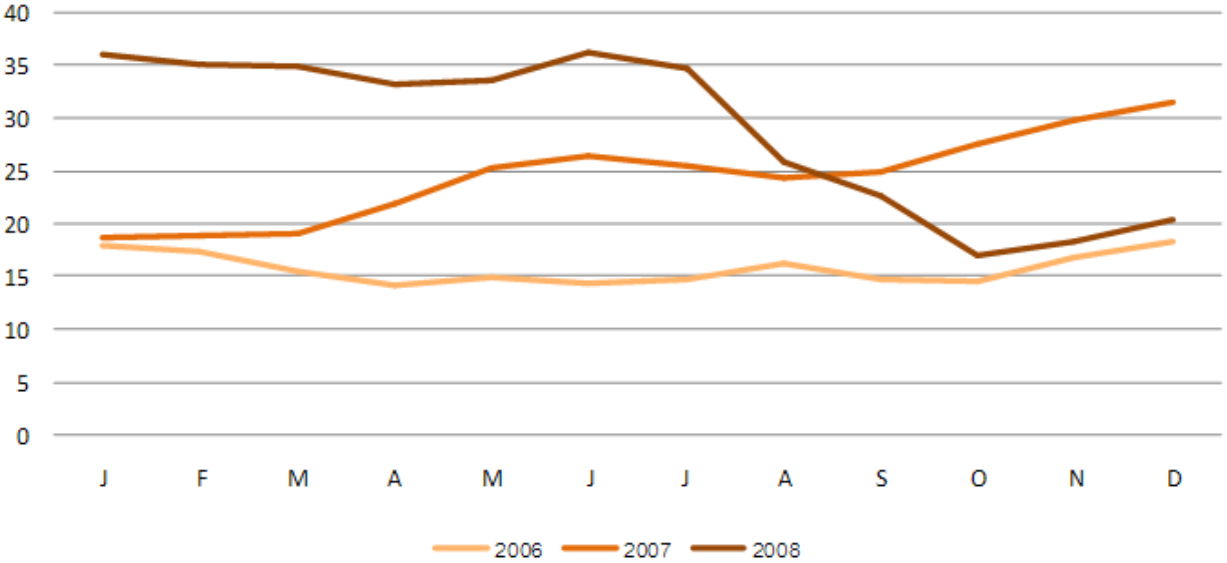


# PALM OIL INDUSTRY AND COMPETITIVENESS

**EXPORT 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 24.45 Baht/kg in 2007 to 28.96 Baht/kg or by 18.45%. This increased the Company's costs of sales by 43.80% from 2007 which was similar to 43.23% increase of sales value. The increase of sales derived from the average selling price increasing by 44.35%. As a consequence, gross profit was up by 157.99 million Baht. Combining with the dividend received from a subsidiary increasing by 90.69 million Baht, net profit recorded in 2008 increasing by 144.37 million Baht or 95.06%.

For its subsidiary UPOIC, the average price of purchased FFB in 2008 increased by 17.99% from 2007. However, the subsidiary increased purchasing outgrower crops by 349.75% due to the magnificent supply of FFB in the market. The FFB volume of total processed thus increased by 70.18%. The Company's own FFB compared to purchased FFB was in the proportion at 58.37 : 41.63, compared with 84.25 : 15.75 in 2007. Even though such increase of purchased FFB increased the costs of sales as a percentage of total sales to 58.89% from 51.22% in 2007, the gain in both sales volume and average selling price by 56.37% and 29.91% respectively led the subsidiary to achieve net profit increasing by 60.08%.

Due to the above-mentioned factors, net profit of the Company and its subsidiaries was recorded at 354.24 million Baht, increasing by 173.40 million Baht or 95.88% from 2007. Net profit margin in 2008 was 3.69%, compared with 2.71% in 2007.

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

#### Revenues

**Revenue from sales:** Net Sales under LST and its subsidiaries increased by 2,914.86 million Baht or 44.11%. At company level, sales by LST of its own products increased by 2,429.02 million Baht or 44.79%, deriving from 0.44% increase in sales volume and 44.35% increase in the average selling price.

At its subsidiaries, net sales from both domestic and export increased by 485.84 million Baht or 41.04%. 57.41% of such increase was contributed by export sales. The Baht appreciated against the US dollar by 4.71% from 2007, which adversely affected the two fruit and vegetable subsidiaries whose export sales accounted for 50.38% and 87.84% of their respective total sales.

**Other revenues:** Revenues other than those generated by normal operation valued at 77.27 million Baht or 0.80% of total revenues, an increment of 16.83 million Baht or 27.85%. This represented an increase of the Company at 3.24 million Baht mainly deriving from selling scrap.

Apart from above, other revenues of its subsidiaries increased by 13.59 million Baht. These were derived from:-

- income from selling sludge oil valued at 10.09 million Baht;
- income from selling scrap valued at 1.71 million Baht;
- exchange gain amounting to 4.15 million Baht;
- a reversal of allowance for stock obsolescence decreased by 2.18 million Baht.



### Cost of sales and expenses

**Cost of sales:** In 2008 the Company and its subsidiaries recorded cost of sales at 85.62% of total sales (2007 : 85.77%). Cost of sales of the Company itself increased from 92.58% in 2007 to 92.94% in 2008 because CPO price increased by 29.73%. In the meantime, a subsidiary increased its purchase portion of outgrower crops from 15.75% to 41.63%. As such, its cost of sales increased from 50.01% in 2007 to 58.30% in 2008.

**Selling expenses :** In 2008 the Company and its subsidiaries recorded selling expenses at 536.06 million Baht, an increase of 112.27 million Baht from 423.79 million Baht in 2007. Most of the increase came from the Company itself, amounting to 76.41 million Baht or 28.13%, and related to A&P and transportation expenses in connection with sales value increasing by 43.23%.

At its subsidiaries, selling expenses increased by 35.86 million Baht owing to higher transportation expenses related to increased sales volume as well.

**Administrative expenses :** Administrative expenses in 2008 was 219.40 million Baht (2007 : 187.39 million Baht), increasing by 32.01 million Baht. The increase was contributed from the Company itself amounting to 10.16 million Baht or 8.73% due to employee-related expenses. At its subsidiaries, administrative expenses increased by 21.85 million Baht contributed from:-

- losses on write off of property plant and equipment increasing by 13.45 million Baht occurred from demolition of ungerminated palm seeds which the subsidiary imported for sales since 2007. At that time, the price of rubber was such high that the farmers shifted the interests to grow rubber instead of palm; leading to over-supply of palm seeds. Hence, imported palm seeds could not be processed according to the schedule.
- allowance for diminution in value of inventory increased by 5.06 million Baht because the market price continuously and greatly dropped since the third quarter, combining the high price of fertilizer pushed up fertilizer expense at the year end increasing by 201.64% from 2007. As such, the cost of inventories at the end of 2008 was greater than the market price.

**Amortization of Goodwill:** Because in 2008 the Company has accessed the effect of the new Accounting Standard No.43 namely Business Combination. As such, the Company was not allowed to amortize the goodwill.

**Financial cost :** Financial cost in 2008 was recorded at 87.28 million Baht, an increase of 20.89 million Baht or 31.46% from the previous year. Of such increase:-

- 14.86 million Baht was attributed to LST owing to the increase cost of raw material which led to higher selling price. The Company, thus, required more working capital.
- 6.03 million Baht was attributed to subsidiaries due to the increase long-term loan from factory expansion.

### Profits

**Gross profit (GP) :** Sales of the Company and its subsidiary increased by 44.11%, and the cost of sales increased at the similar rate as 2007 by 43.86%. Accordingly, GP margin increased to 14.38% in 2008 (2007 : 14.23%). Even though 2008 GP margin is quite similar to 2007, the higher sales value caused Gross Profit increasing to 429.11 million Baht or increasing by 45.64%.

**Operating profit :** GP margin in 2008 was similar to 2007. S&A expenses of the Company and its subsidiary when compared to sales value dropped from 9.25% in 2007 to 7.93% in 2008. In addition, the Company and its subsidiary were not allowed to amortize goodwill amounting to 18.72 million Baht in 2008. As a result, operating profit in 2008 increased by 320.38 million Baht or 86.44%. Operating profit margin, hence, increased to 7.20% (2007 : 5.56%).

**Net profit :** Owing to the increase in operating profit margin as stated above, the Company and its subsidiaries recorded an increase in net profit of 173.40 million Baht or 95.88%. Net profit margin increased to 3.69% in 2008 (2007 : 2.71%).

**Dividend payout ratio :** In 2008 LST itself paid dividend for the financial year 2007 at the rate of 0.10 Baht per share representing a payout ratio of 53.99% of net profit (2007: 0.20 Baht per share, representing a payout ratio of 90.91% of net profit in 2006). 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 2008.

In 2008 its subsidiary UPOIC paid dividend for the last quarter of the 2007 financial year at the rate of 3 Baht per share. Combining with the 3 Baht per share interim dividend of 2007, the total dividend paid for the 2007 financial year amounted to 6 Baht per share, representing a payout ratio of 97.40% of net profit.

In addition, during 2008, its subsidiary paid an interim dividend at the rate of 6 Baht per share.

**Book value (weighted average) :** As at December 31, 2008, the book value per share of LST was 2.28 Baht (weighted average number of shares at 820 million shares), an increase compared to 2.02 Baht in 2007 (weighted average number of shares at 820 million shares), owing to the increase in net profit of 2008.

## 2. Financial status

**Assets :** At the end of 2008, the asset value of the Company and its subsidiaries was 4,657.70 million Baht, an increase of 324.29 million Baht or 7.48% compared with 2007. The major reasons are as follows:-

- **Cash and cash equivalent** was 263.16 million Baht at the end of 2008, decreasing 63.05 million Baht or 19.33% from 2007. Cash of the Company itself decreased by 24.02 million Baht while cash of its subsidiaries reduced by 39.03 million Baht due to the income tax and dividend paid during the year.

- **Trade accounts receivable (A/R) - unrelated party** of 926.35 million Baht was recorded by the Company and its subsidiaries as at the end of 2008 (after an allowance for doubtful debt), accounting for 19.89% of total assets (2007 : 985.82 million Baht, accounting for 22.75% of total assets). Such decrease in A/R was mainly attributable to the Company itself whose average selling price at the fourth quarter decreased by 16.24% caused by CPO price decreased.

However, the Company and its subsidiaries recorded A/R aging more than 3 months and returned cheques at only 4.77% trade A/R-unrelated party of 2008. In the meantime, the Company already set the allowance for doubtful accounts as high as 93.15% of the value of A/R aging more than 3 months and returned cheques.

- **Inventory** was worth 1,130.43 million Baht as at the end of 2008, or 24.27% of total assets, increasing by 100.45 million Baht when compared with 1,029.98 million Baht, or 23.77% of total assets in 2007. This was because a subsidiary received purchase orders of seasonal products which have been partially delivered pending the season of new crops. In addition, another subsidiary kept the stock of CPO and CPKO to sell at the proper market prices due to the price intervention programme imposed by the Government.

- **Other current assets** in the Company and its subsidiary as at the end of 2008 increased by 33.86 million Baht from 2007. Such increase was derived from the Company from income tax refund at 9.03 million Baht, and subsidiaries such as VAT refund (11.87 million Baht), deposit of machinery payment (2.16 million Baht), and A/R – oil palm seeds (6.05 million Baht).

- **Other long-term investment** of the Company and its subsidiaries decreased by 6.10 million Baht. In 2008 its subsidiary sold securities in the Stock Exchange of Thailand giving rise to a gain of 0.12 million Baht which was recorded under other income.

- **Land, buildings, machinery and equipment :** As at the end of 2008, the net value of fixed assets increased by 306.23 million Baht or 18.74% from 2007, by 58.82 million Baht attributed to the Company and by 247.41 million Baht to its subsidiary. Most of this came from the investment in machinery under BOI expansion projects, as well as replanting programme.

- **Non-operating land** : as at the end of 2008 increased by 0.75 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.
- **Intangible assets** : as at the end of 2008 increased by 16.77 million Baht, of which by 9.68 million Baht attributed to the Company from upgrading computer software, and by 7.09 million Baht to its subsidiary mainly from royalty fee for the use of a trademark and technical assistance fee of the Jointly controlled entity.
- **Goodwill on business combination** : as at the end of 2008 increased by 3.26 million Baht due to the change in Accounting Standard no. 43 re : Business Combination. As its effect, the Company and its subsidiary were not allowed to amortize goodwill acquired in a business combination.
- **Other non-current assets** : as at the end of 2008 decreased by 8.21 million Baht owing to the deposit of machinery payment of its subsidiary decreased.

### 3. Source of Fund

**Structure of Fund** : Under the consolidated financial statements, source of fund comprised 2,386.02 million Baht of liabilities and 2,271.67 million Baht from shareholders' equity, in the ratio of 51.23 : 48.77 respectively. Of the said amount of liabilities, bank loans amounted to 1,683.61 million Baht or 70.56% of total liabilities, comprising short-term loan at 1,569.35 million Baht (65.77%) and long-term loan at 114.26 million Baht (4.79%). The ratio of debt to equity was 1.05 times at the end of 2008. Further details are set out below:-

- **Shareholders' equity** : increased by 292.88 million Baht or 14.80% at the end of 2008 because of net profit of the Company and its subsidiaries.

- **Liabilities** : At the end of 2008, the Company and its subsidiaries had :-

(a) short-term bank loan of 1,607.00 million Baht, of which:-

- i. 731 million Baht was extended to a subsidiary.
- ii. 736 million Baht was extended to the Company, which decreased by 27.13%. The Company needed less working capital to support trade A/R which reduced by 95.48 million Baht due to raw material price decreasing at the year-end. In addition, cash received amounting to 204.04 million Baht came from dividend paid by subsidiary.
- iii. portion of long-term loan due within one year of 28.50 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.
- iv. portion of long-term loan due within one year of 48.11 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.
- v. portion of long-term loan due within one year of 25.74 million Baht was extended to subsidiary secured by its own land, building and machinery as collateral, subject to certain covenants including restriction on the subsidiary's dividend payment. This loan, which is denominated in Thai Baht, is due in 2014. Monthly loan installment includes repayment of both principal and interest expense at the rate of THBFIX plus a fixed rate.

(b) long-term liabilities amounted to 114.26 million Baht was extended to subsidiary secured by its own land, building and machinery as collateral, subject to certain covenants including restriction on the subsidiary's dividend payment. This loan, which is denominated in Thai Baht, is due in 2014. Monthly loan installment includes repayment of both principal and interest expense at the rate of THBFIX plus a fixed rate.

### Financial liquidity

In 2008, the Company and its subsidiaries had less financial liquidity than 2007 as cash and cash equivalents decreased by 63.05 million Baht to 263.16 million Baht in 2008 (2007 : 326.21 million Baht). The main factors for changes in cash flow from operating, investing, and financing activities were as follows:-

**Cashflow from operations** : In 2008, the Company and its subsidiaries enjoyed net cash received from operating activities at 597.80 million Baht while in 2007 having net cash used in operating activities at 43.77 million Baht. This was because in 2008, net profit increased, and trade accounts receivable-unrelated parties decreased.

**Cashflow from investing activities** : In 2008, the Company and its subsidiaries recorded net cash used in investing activities at 489.85 million Baht (2007 : 208.61 million Baht). This was because in 2008, the Company and its subsidiaries invested more in fixed assets of factory expansion.

**Cashflow from financial activities** : In 2008, the Company and its subsidiaries recorded net cash used in financial activities at 171.00 million Baht while in 2007, had net cash received from financial activities at 383.22 million Baht. The main reasons were as follows:-

- The Company repaid short-term loan;
- Its subsidiary borrowed more long-term loan for factory expansion;
- There was an increase in the dividend for 2008 paid by its subsidiary.

### Financial ratios

**Current ratio** was maintained at 1.08 times (2007 : 1.07 times). The decrease in cash and trade A/R corresponding to an increase in inventory.

**Quick ratio** decreased slightly to 0.54 times (2007 : 0.59 times) due to a decrease in cash and trade A/R.

**Return on total assets** increased to 7.88% in 2008 (2007 : 4.58%) as net profit increased by 91.64%, whereas total assets increased by 7.48%.

**Return on total equity** increased to 16.67% in 2008 (2007 : 9.20%). as net profit increased.

**Total debt to equity ratio** decreased to 1.05 times in 2008 (2007 : 1.19 times), due to increase in net profit.

**Accounts receivable turnover** was 9.93 times in 2008 (2007 : 8.38 times). The average collection period was 36 days in 2008 compared with 43 days in 2007. This was due to a decrease in the average selling price during the fourth quarter of 2008.

**Inventory turnover (finished goods only)** was 15.31 times in 2008 (2007 : 13.19 times), and inventory turnover period decreased to 24 days (2007 : 27 days). This was due to a decrease in the average cost of CPO during the fourth quarter of 2008.

**Accounts payable turnover** was 24.32 times in 2008 (2007 : 21.98 times); average payment period was at 15 days (2007 : 16 days). This was due to a decrease in the average cost of CPO during the fourth quarter of 2008.

### 4. Capital Expenditure

In 2008, the Company and its subsidiaries invested to improve and to expand the production capacity of their various plants namely:-

#### The Company

- project of empty fruit bunch (EFB) treatment to recover oil loss in EFB (carried forward from 2007 and expected to complete in 2009)
- Biogas project (carried forward from 2007 and expected to complete in 2009)
- Project of multistock refinery in Samut Prakarn including 3 sections namely refinery, fractionation, and oil packing (new project of 2008 and expected to complete in 2009)

#### Subsidiary (UPOIC)

- oil palm seed propagation project belonging to the Jointly controlled entity of subsidiary located in Krabi (long-term project which is expected to generate output in 2014)
- project of empty fruit bunch (EFB) treatment to recover oil loss in EFB (carried forward from 2007 and expected to complete in 2009)
- Biogas and Biomass projects (carried forward from 2007 and expected to complete in 2009)
- 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.

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).



### 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 not only further affected by the fluctuation of world market price, but also the demand for bio-diesel as an alternative source to petroleum fuel which has led palm oil price to follow the trend of petroleum oil. Last year petroleum oil price reached the all-time high at 147 USD/barrel. Later when the world financial crisis originated in the United States taken place, petroleum oil price collapsed to 33 USD/barrel. Such price volatile greatly affected palm oil price of both local and other countries.

In addition, the price interventions imposed by the Government when the market price was low greatly affect the raw material price and gross profit of the Company. 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.

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.



### Remuneration of statutory auditor

#### 1) Audit Fee

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

	2008	2009
- for the Company	1,480,000 Baht	1,480,000 Baht
- for 2 subsidiaries	1,870,000 Baht	1,870,000 Baht

#### 2) Non-Audit Fee

The Company and its subsidiaries paid a fee to statutory auditor for verifying BOI project for corporate income tax submission relating to 2009 amounting to 120,000 Baht per BOI project for the Company and Universal Food Plc., and 100,000 Baht per BOI project for United Palm Oil Industry Plc.



## SHAREHOLDERS AND MANAGEMENT

### Shareholders

As at 8 April 2008, the top ten shareholders and their holdings are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
1. Lam Soon Holding Co., Ltd. <sup>(i)</sup>	42.11
2. Hap Seng Consolidated Berhad <sup>(ii)</sup>	20.00
3. CIMB-GK Securities Pte Ltd	12.30
4. Lam Soon Cannery Pte Ltd. <sup>(iii)</sup>	7.48
5. Mr. Somchai Chongsawadchai	1.98
6. American International Assurance Company, Limited - AIA D-PLUS	1.52
7. American International Assurance Company, Limited -TIGER	0.67
8. HSBC Private Bank (Suisse) SA	0.64
9. Thai NVDR Co., Ltd.	0.60
10. Kasetsamut Co., Ltd.	0.59

**Source :** Thailand Securities Depository Co., Ltd.

#### Note :

<sup>(i)</sup> Lam Soon Holding Co., Ltd. is an investment holding company. As at 31 December 2008, 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. (Major shareholders include Galatea Enterprise 75.324% whose shareholders are as follows : Mr. Whang Tar Liang and his wife 54.39%, Mr. Whang Shang Ying 31.58%, Ms. Whang Yee Ling 14.03%.)	50.71
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

<sup>(ii)</sup> 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.

<sup>(iii)</sup> Lam Soon Cannery Pte. Ltd. is an investment holding company. As at 31 December 2008, its shareholders are as follows:-

Shareholder's Name	Percentage of Paid-up Capital
1. Whang Shang Ying	41.5
2. Whang Yee Ling	32.6
3. Whang Tar Liang	15.9
4. Chen Mu Hsien	<u>10.0</u>
Total	100.0

**Note :** Galatea Sdn Bhd. is owned by Mr. Whang Tar Liang and his wife 54.39%, Mr. Whang Shang Ying 31.58%, and Ms. Whang Yee Ling 14.03%.

## 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, Company Secretary 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.

#### - Nomination Committee

(1) Datuk Simon Shim Kong Yip	Independent Director and Chairman of Nomination Committee
-------------------------------	---

(2) Preecha Jarungidanan, Ph.D.	Independent Director
---------------------------------	----------------------

(3) Mr. Banchong Chittchang	Independent Director
-----------------------------	----------------------

(4) Mr. Whang Shang Ying	Executive Director
--------------------------	--------------------

### 2. Criteria on recruiting Directors and management

In 2008 the Company has set up a Nomination Committee to recruit the suitable candidates to replace directors whose terms are expired in April 2009. The list of suitable candidate has been proposed to the Board before submitting to the shareholders for approval. 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 2008, the Board of Directors held 4 meetings, with attendance shown as below:-

Name	Attendance / Total Meetings
(1) Mr. Whang Tar Liang	3/4
(2) Art-ong Jumsai Na Ayudhya, Ph.D.	4/4
(3) Preecha Jarungidanan, Ph.D.	4/4
(4) Mr. Banchong Chittchang	4/4
(5) Datuk Simon Shim Kong Yip	4/4
(6) Mr. Whang Shang Ying	4/4
(7) Mr. Somchai Chongsawadchai	4/4
(8) Mr. Ampol Simarojana	4/4
(9) Ms. Anchalee Suebchantasiri	4/4

## SHAREHOLDERS AND MANAGEMENT

### 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 Siritwongpairat	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 : 82 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.

#### Other Experience:

- Chairman, United Palm Oil Industry Plc.
- Director, Lam Soon Holding Co., Ltd.
- Director, Bangkok Edible Oil Co., Ltd.
- Chairman and 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 : 68 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. Imperial College of Science and  
 Technology, London University, U.K.

#### Other Experience:

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

**Note :**  present experience  past experience



## SHAREHOLDERS AND MANAGEMENT

- (3) Name : **Preecha Jarungidanan, Ph.D.**  
Position : Independent Director and Member of Audit Committee  
Age : 62 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)

### Other Experience:

- 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 : 60 years  
% of share holding : None  
The number of directorships in listed companies  
- Chairman : 0 company  
- Director : 2 companies  
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)

### Other Experience:

- Independent Director, Thai Optical Group 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 : 52 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 in Law, University College London,  
London University, United Kingdom

### Other Experience:

- Non-Independent Non-Executive Director, Malaysian Mosaics Berhad, a company listed on the Bursa 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

**Note :**  *present experience*  *past experience*

## SHAREHOLDERS AND MANAGEMENT

- Non-Executive Director, Paos Holdings Berhad, a company listed on the Bursa 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
- 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 : 48 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

### Other Experience:

- 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 : 51 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)

### Other Experience:

- 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.
- 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.

**Note :** ■ *present experience*     *past experience*

## SHAREHOLDERS AND MANAGEMENT

(8)	Name	:	<b>Miss Anchalee Suebchantasiri</b>
	Position	:	Executive Director and Finance Manager
	Age	:	50 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)

### Other Experience:

- Company Secretary, 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	:	<b>Mr. Ampol Simarojana</b>
	Position	:	Executive Director and Factory Manager
	Age	:	52 years
	% of share holding	:	None
	The number of directorships in listed companies		
	- Chairman	:	0 company
	- Director	:	1 company
	Family relation with management	:	None
	Education	:	Bachelor of Science (Chemical Engineering), Chulalongkorn University; Certificate of Completion DCP 37/2003 from Thai Institute of Directors (IOD)

### Other Experience:

- Assistant Managing Director, 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	:	<b>Mr. Nipol Punyawiwat</b>
	Position	:	Sales Manager - Wholesales
	Age	:	49 years
	% of share holding	:	0.00%
	Family relation with management	:	None
	Education	:	Bachelor of Law, Ramkhamhaeng University

### Other Experience:

- Sales Manager, Bangkok Edible Oil Co., Ltd.

**Note :** ■ *present experience* □ *past experience*

## SHAREHOLDERS AND MANAGEMENT

(11) Name : **Mrs. Roongnapa Phanomchoeng**  
Position : Sales Manager- Industrial  
Age : 50 years  
% of share holding : None  
Family relation with management : None  
Education : Bachelor of Economy,  
Ramkhamhaeng University

**Other Experience:**

- Assistant Managing Director, Pure Refined Oil Co., Ltd.
- Senior Sales Manager, Abico Holdings Plc.

(12) Name : **Mr. Komkris Siriwongpairat**  
Position : Sales Manager – Modern Trade  
Age : 36 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

**Other Experience:**

- 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 : 38 years  
% of share holding : None  
Family relation with management : None  
Education : Bachelor of Arts, Assumption University

**Other Experience:**

- National Sales Manager – Key Accounts & Direct Accounts Food Services, Nestle Thai Ltd

**Note :** ■ *present experience* □ *past experience*

## SHAREHOLDERS AND MANAGEMENT

### 6. Directors and Executives holding shares in the Company

Name	No. of shares at the end of 2007	Increase (Decrease) in no. of shares during the financial year	No. of shares at the end of 2008
(1) Mr.Whang Tar Liang	2,758,000	(2,758,000)	-
(2) Art-ong Jumsai Na Ayudhya, Ph.D.	-	-	-
(3) Preecha Jarungidanan, Ph.D.	-	-	-
(4) Mr. Banchong Chittchang	-	-	-
(5) Datuk Simon Shim Kong Yip	-	-	-
(6) Mr.Whang Shang Ying	-	-	-
(7) Mr.Somchai Chongsawadchai	16,230,800	(10,400)	16,220,400
(8) Ms.Anchalee Suebchantasiri	9,140	-	9,140
(9) Mr.Ampol Simarojana	200,000	(200,000)	-
(10) Mr.Nipol Poonyaviwat	500	-	500
(11) Mrs. Roongnapa Phanomchoeng	-	-	-
(12) Mr. Komkris Siriwongpairat	-	-	-
(13) Ms. Winita Purapati	-	-	-

### 7. Remuneration of Directors and Management

(a) Director's fees : Total fees to all 9 members of the Board 4,237,000 Baht

Name	Position	Director's fees in 2008
(1) Mr. Whang Tar Liang	Chairman of Directors and Executive Director	569,000
(2) Art-ong Jumsai Na Ayudhya, Ph.D.	Independent Director and Chairman of Audit Committee	745,750
(3) Preecha Jarungidanan, Ph.D.	Independent Director and Member of Audit Committee	745,750
(4) Mr. Banchong Chittchang	Independent Director and Member of Audit Committee	745,750
(5) Datuk Simon Shim Kong Yip	Independent Director	453,750
(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

(b) Directors' fees paid to the Company's Directors as Directors of Subsidiaries : 2,992,000 Baht

(c) Remuneration of all 9 persons of the Management including salary and bonus : 81,192,810 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

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	Name of companies The Company	Subsidiaries		Related Company (Lam Soon Holding Co., Ltd.)
		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 following policy and guidelines of the Company prevents the Management from utilising insider information of the Company for personal gain:

1. Management is obliged to report to the Board 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. Management as 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. 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. Management is prohibited from trading in 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.1/2009 held on February 26, 2009, 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.

Besides, 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 2008 at the rate of 0.20 Baht/share representing 55.4% of net profit, compared with that of 2007 at 0.10 Baht/share representing 53.99% of net profit. The Company's dividend payment of 2008 is higher than 2007 because of higher profit in 2008.

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 good 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 2008, the Company's purchases of CPO, CPKO, and FFB from UPOIC accounted for 14.95 % of its total CPO, CPKO, and FFB 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 less 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.

## OTHER FACTORS AFFECTING INVESTMENT DECISIONS

---

### Legal conflicts

As at 31 December 2008, 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 consolidated financial statements  
31 December 2008 and 2007

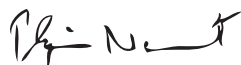
## **Report of Independent Auditor**

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 2008 and 2007, 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 management of the Company and its subsidiaries 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 2008 and 2007, and the results of their operations, and cash flows for the years then ended in accordance with generally accepted accounting principles.



Thipawan Nananuwat

Certified Public Accountant (Thailand) No. 3459

Ernst & Young Office Limited

Bangkok: 26 February 2009

Lam Soon (Thailand) Public Company Limited and its subsidiaries

Balance sheets

As at 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		263,158,111	326,211,968	114,768,029	138,791,918
Trade accounts receivable					
Related parties	6, 7	2,939,031	1,826,317	62,458	91,084
Unrelated parties - net	7	926,351,758	985,817,364	843,217,783	938,700,374
Total trade accounts receivable - net		929,290,789	987,643,681	843,280,241	938,791,458
Short-term loans and advances to related parties - net	6	183,248	-	586,796	355,861
Inventories - net	8	1,130,430,665	1,029,984,529	516,391,372	516,737,902
Other current assets		77,404,556	43,541,652	22,196,779	13,169,775
<b>Total current assets</b>		<b>2,400,467,369</b>	<b>2,387,381,830</b>	<b>1,497,223,217</b>	<b>1,607,846,914</b>
<b>Non-current assets</b>					
Investments in subsidiaries - net	9	-	-	1,134,062,300	1,133,765,725
Other long-term investments - net	10	509,070	6,607,732	509,070	857,835
Property, plant and equipment - net	11	1,940,218,921	1,633,987,127	488,484,327	429,663,630
Non-operating assets	12	64,857,058	65,608,796	-	-
Intangible assets - net	13	24,992,319	8,220,853	10,137,703	456,140
Goodwill in business combination		224,349,166	221,083,790	-	-
Other non-current assets		2,301,247	10,513,471	767,138	442,184
<b>Total non-current assets</b>		<b>2,257,227,781</b>	<b>1,946,021,769</b>	<b>1,633,960,538</b>	<b>1,565,185,514</b>
<b>Total assets</b>		<b>4,657,695,150</b>	<b>4,333,403,599</b>	<b>3,131,183,755</b>	<b>3,173,032,428</b>

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 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Bank overdrafts and short-term loans					
from financial institutions	14	1,467,000,000	1,574,000,061	736,000,000	1,010,000,000
Trade accounts payable					
Related parties	6	-	281,119	52,152,637	91,585,947
Unrelated parties		352,321,328	317,854,606	281,181,639	220,919,330
Total trade accounts payable		352,321,328	318,135,725	333,334,276	312,505,277
Short-term loans and advances					
from related parties	6	25,007,074	-	67,196	530,591
Current portion of liabilities under					
finance lease agreements	15	3,382,401	1,963,803	2,696,340	1,638,997
Current portion of long-term loans	16	102,353,000	56,320,000	-	-
Dividend payable		28,977,929	30,030,926	25,653,707	25,570,450
Other current liabilities					
Corporate income tax payable		9,809,838	24,223,718	-	9,201,465
Accrued expenses		87,413,226	81,303,619	53,570,001	45,781,906
Unearned income		21,626,066	24,786,678	21,626,066	24,786,678
Others		124,737,652	127,658,460	60,706,392	68,383,929
Total other current liabilities		243,586,782	257,972,475	135,902,459	148,153,978
<b>Total current liabilities</b>		<b>2,222,628,514</b>	<b>2,238,422,990</b>	<b>1,233,653,978</b>	<b>1,498,399,293</b>
<b>Non-current liabilities</b>					
Liabilities under finance lease agreements - net					
of current portion	15	8,844,009	7,374,381	7,073,172	6,139,850
Long-term loans - net of current portion	16	114,260,000	76,613,000	-	-
Provision for land rental charge	17	20,468,000	20,468,000	-	-
Reserve for employee retirement benefit plan	18	19,820,221	11,727,419	19,820,221	11,727,419
<b>Total non-current liabilities</b>		<b>163,392,230</b>	<b>116,182,800</b>	<b>26,893,393</b>	<b>17,867,269</b>
<b>Total liabilities</b>		<b>2,386,020,744</b>	<b>2,354,605,790</b>	<b>1,260,547,371</b>	<b>1,516,266,562</b>

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 2008 and 2007**

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
<b>Shareholders' equity</b>					
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		5,269,100	5,269,100	5,269,100	5,269,100
Unrealised loss - revaluation deficit on					
changes in value of investments	10	(1,009,355)	(1,154,519)	(1,009,355)	(642,165)
Retained earnings					
Appropriated - statutory reserve	19	102,430,665	102,428,597	82,000,000	82,000,000
Unappropriated		755,204,741	482,967,125	722,406,374	508,168,666
Equity attributable to the Company's					
shareholders		1,923,865,416	1,651,480,568	1,870,636,384	1,656,765,866
Minority interest - equity attributable to minority					
shareholders of subsidiaries		347,808,990	327,317,241	-	-
<b>Total shareholders' equity</b>					
		2,271,674,406	1,978,797,809	1,870,636,384	1,656,765,866
<b>Total liabilities and shareholders' equity</b>					
		4,657,695,150	4,333,403,599	3,131,183,755	3,173,032,428
		-	-	-	-

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

.....

Directors

.....



Lam Soon (Thailand) Public Company Limited and its subsidiaries

Income statements

For the years ended 31 December 2008 and 2007

(Unit: Baht)

	Note	Consolidated financial statements		Separate financial statements	
		2008	2007	2008	2007
<b>Revenues</b>					
Sales		9,522,358,898	6,607,503,431	8,435,774,015	5,889,714,338
Dividend income from subsidiary	9	-	-	204,043,599	113,357,555
Other income		77,268,583	60,437,869	37,312,923	34,073,818
<b>Total revenues</b>		<b>9,599,627,481</b>	<b>6,667,941,300</b>	<b>8,677,130,537</b>	<b>6,037,145,711</b>
<b>Expenses</b>					
Cost of sales		8,153,166,747	5,667,418,538	7,840,573,835	5,452,501,584
Selling expenses		536,058,690	423,793,332	348,211,696	271,770,440
Administrative expenses		219,400,414	187,388,805	126,590,181	116,428,104
Amortisation of goodwill		-	18,720,259	-	-
<b>Total expenses</b>		<b>8,908,625,851</b>	<b>6,297,320,934</b>	<b>8,315,375,712</b>	<b>5,840,700,128</b>
<b>Income before finance cost and corporate income tax</b>		<b>691,001,630</b>	<b>370,620,366</b>	<b>361,754,825</b>	<b>196,445,583</b>
Finance cost		(87,279,731)	(66,391,675)	(50,241,045)	(35,377,064)
<b>Income before corporate income tax</b>		<b>603,721,899</b>	<b>304,228,691</b>	<b>311,513,780</b>	<b>161,068,519</b>
Corporate income tax		(144,579,865)	(64,642,787)	(15,276,274)	(9,201,465)
<b>Net income for the year</b>		<b>459,142,034</b>	<b>239,585,904</b>	<b>296,237,506</b>	<b>151,867,054</b>
<b>Net income attributable to:</b>					
Equity holders of the parent		354,239,482	180,841,714	296,237,506	151,867,054
Minority interests of the subsidiaries		104,902,552	58,744,190		
		<b>459,142,034</b>	<b>239,585,904</b>		
<b>Basic earnings per share</b>					
	22				
Net income attributable to equity holders of the parent		0.43	0.22	0.36	0.19
Weighted average number of ordinary shares (Shares)		820,000,000	820,000,000	820,000,000	820,000,000

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 2008 and 2007**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Net income before income tax	603,721,899	304,228,691	311,513,780	161,068,519
Adjustments to reconcile net income before income tax to net cash provided by (paid from) operating activities:				
Depreciation and amortisation	158,937,889	141,248,957	53,522,138	50,298,866
Amortisation of goodwill	-	18,720,259	-	-
Increase (decrease) in allowance for doubtful accounts	10,201,719	(4,580,269)	7,827,924	(130,580)
Increase (decrease) in allowance for diminution in inventory value	4,680,081	(34,924,896)	691,269	(590,449)
Increase (decrease) in write-off of deteriorated inventories	(64,296)	37,592,014	-	-
Reversal of allowance for impairment loss of assets	(1,148,613)	-	-	-
Provision for land rental charge	-	1,720,000	-	-
Reserve for employee retirement benefit plan	8,092,802	6,695,427	8,092,802	6,695,427
Dividend received from subsidiary	-	-	(204,043,599)	(113,357,555)
Loss (gain) on disposals and write off of property, plant and equipment	16,126,978	3,333,460	302,941	(1,025,370)
Gain on sales of other long-term investments	(117,750)	(238,400)	-	-
Unrealised loss (gain) on exchange	(673,813)	126,483	227,062	(105,925)
Interest expenses	82,823,261	62,479,520	47,037,018	32,758,193
Income from operating activities before changes in operating assets and liabilities	882,580,157	536,401,246	225,171,335	135,611,126
Decrease (increase) in operating assets				
Trade accounts receivable - related parties	(1,118,221)	359,914	28,626	875,266
Trade accounts receivable - unrelated parties	50,739,071	(394,827,032)	87,682,054	(398,083,403)
Inventories	(90,692,558)	(175,769,198)	(344,739)	(3,125,861)
Other current assets	(23,304,451)	(9,411,242)	2,081,277	803,536
Other non-current assets	8,212,224	3,974,993	(324,954)	193,854
Increase (decrease) in operating liabilities				
Trade accounts payable - related parties	(281,625)	281,119	(39,433,310)	(16,030,884)
Trade accounts payable - unrelated parties	34,251,141	120,185,600	60,007,860	93,129,283
Other current liabilities	(8,529,478)	12,741,272	(11,354,424)	(14,098,790)
Cash from (used in) operating activities	851,856,260	93,936,672	323,513,725	(200,725,873)
Cash paid for interest expenses	(85,342,468)	(62,905,482)	(45,102,527)	(32,181,434)
Cash paid for corporate income tax	(169,464,766)	(74,804,476)	(34,770,377)	(24,790,739)
<b>Net cash from (used in) operating activities</b>	<b>597,049,026</b>	<b>(43,773,286)</b>	<b>243,640,821</b>	<b>(257,698,046)</b>

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 2008 and 2007**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2008	2007	2008	2007
<b>Cash flows from investing activities</b>				
Decrease in fixed deposits with maturity of more than 3 months	-	83,206,851	-	-
Decrease in deposit at financial institution with restrictions	-	900,000	-	-
Increase in short-term loans and advances to related parties	(183,248)	-	(230,935)	(79,482)
Increase in investment in subsidiary	(296,575)	(20,000)	(296,575)	(20,000)
Increase in other long-term investments	(18,425)	-	(18,425)	-
Dividend received from subsidiary	-	-	204,043,599	113,357,555
Proceeds from sales of other long-term investments	6,600,000	10,610,000	-	-
Acquisitions of property, plant and equipment	(478,615,143)	(306,011,061)	(103,656,699)	(36,126,696)
Proceeds from disposals of property, plant and equipment	4,738,266	2,705,174	1,683,741	1,303,127
Increase in intangible assets	(21,323,525)	-	(10,359,825)	-
<b>Net cash from (used in) investing activities</b>	<b>(489,098,650)</b>	<b>(208,609,036)</b>	<b>91,164,881</b>	<b>78,434,504</b>
<b>Cash flows from financing activities</b>				
Increase (decrease) in bank overdrafts and short-term loans from financial institutions	(107,000,061)	722,425,868	(274,000,000)	495,000,000
Increase in short-term loans and advance received from subsidiaries	25,007,074	-	(463,395)	530,591
Repayment of hire-purchase creditors	-	(154,523)	-	-
Repayment of liabilities under finance lease agreements	(3,172,290)	(129,439)	(2,449,653)	(106,166)
Cash receipt from long-term loans	140,000,000	-	-	-
Repayment of long-term loans	(56,320,000)	(124,232,000)	-	(69,650,000)
Dividend paid	(169,518,956)	(214,694,189)	(81,916,543)	(163,862,929)
<b>Net cash from (used in) financing activities</b>	<b>(171,004,233)</b>	<b>383,215,717</b>	<b>(358,829,591)</b>	<b>261,911,496</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(63,053,857)</b>	<b>130,833,395</b>	<b>(24,023,889)</b>	<b>82,647,954</b>
Cash and cash equivalents at beginning of the year	326,211,968	195,378,573	138,791,918	56,143,964
<b>Cash and cash equivalents at end of the year</b>	<b>263,158,111</b>	<b>326,211,968</b>	<b>114,768,029</b>	<b>138,791,918</b>
<b>Supplementary disclosures of cash flows information</b>				
Non-cash transactions				
Acquisitions of plant and equipment that have not been paid	15,210,695	10,204,536	5,619,239	65,000
Acquisitions of plant and equipment under financial lease agreements	5,930,087	9,467,623	4,440,318	7,885,013
Transfer non-operating land for project development	-	52,687,277	-	-
Transfer equipment to inventory account	14,369,363	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 2008 and 2007

(Unit: Baht)

Consolidated financial statements									
Equity attributable to the parent's shareholders								Minority interests -	
Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Revaluation deficit on changes in value of investments	Retained earnings		Total equity attributable to the parent's shareholders	Minority interests - equity attributable to minority shareholders of subsidiaries	Total
					Appropriated - statutory reserve	Unappropriated			
<b>Balance as at 31 December 2006</b>	820,000,000	241,970,265	5,269,100	(2,630,824)	83,160,001	485,394,007	1,633,162,549	318,551,917	1,951,714,466
<b>Income recognised directly in equity:</b>									
Investments in available-for-sale securities									
Gain recognised in shareholders' equity	-	-	-	1,476,305	-	-	1,476,305	-	1,476,305
<b>Net income recognised directly in equity</b>	-	-	-	1,476,305	-	-	1,476,305	-	1,476,305
Net income for the year	-	-	-	-	-	180,841,714	180,841,714	58,744,190	239,585,904
<b>Total income for the year</b>	-	-	-	1,476,305	-	180,841,714	182,318,019	58,744,190	241,062,209
Dividend paid	-	-	-	-	-	(164,000,000)	(164,000,000)	(48,666,445)	(212,666,445)
Unappropriated retained earnings									
transferred to statutory reserve	-	-	-	-	19,268,596	(19,268,596)	-	-	-
Minority interests - equity attributable to									
minority shareholders of subsidiaries	-	-	-	-	-	-	-	(1,312,421)	(1,312,421)
<b>Balance as at 31 December 2007</b>	<b>820,000,000</b>	<b>241,970,265</b>	<b>5,269,100</b>	<b>(1,154,519)</b>	<b>102,428,597</b>	<b>482,967,125</b>	<b>1,651,480,568</b>	<b>327,317,241</b>	<b>1,978,797,809</b>

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 2008 and 2007

(Unit: Baht)

Consolidated financial statements									
	Equity attributable to the parent's shareholders						Minority interests -		
	Issued and	Share premium	Premium on	Revaluation	Retained earnings		Total equity	equity attributable	
	paid up	treasury stock	in value of	deficit on changes	Appropriated -	Unappropriated	attributable to	to minority	
Note	share capital	Share premium	treasury stock	investments	statutory reserve	Unappropriated	the parent's	of subsidiaries	Total
<b>Balance as at 31 December 2007</b>	820,000,000	241,970,265	5,269,100	(1,154,519)	102,428,597	482,967,125	1,651,480,568	327,317,241	1,978,797,809
<b>Income recognised directly in equity:</b>									
Investments in available-for-sale securities									
Gain recognised in shareholders' equity	-	-	-	145,164	-	-	145,164	-	145,164
<b>Net income recognised directly in equity</b>	-	-	-	145,164	-	-	145,164	-	145,164
Net income for the year	-	-	-	-	-	354,239,482	354,239,482	104,902,552	459,142,034
<b>Total income for the year</b>	-	-	-	145,164	-	354,239,482	354,384,646	104,902,552	459,287,198
Dividend paid	25	-	-	-	-	(81,999,798)	(81,999,798)	(87,599,601)	(169,599,399)
Unappropriated retained earnings									
transferred to statutory reserve	19	-	-	-	2,068	(2,068)	-	-	-
Minority interests - equity attributable to									
minority shareholders of subsidiaries	-	-	-	-	-	-	-	3,188,798	3,188,798
<b>Balance as at 31 December 2008</b>	<u>820,000,000</u>	<u>241,970,265</u>	<u>5,269,100</u>	<u>(1,009,355)</u>	<u>102,430,665</u>	<u>755,204,741</u>	<u>1,923,865,416</u>	<u>347,808,990</u>	<u>2,271,674,406</u>

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 2008 and 2007

(Unit: Baht)

		Separate financial statements						
Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Revaluation deficit on changes in value of investments	Retained earnings		Total	
					Appropriated - statutory reserve	Unappropriated		
	<b>Balance as at 31 December 2006</b>	820,000,000	241,970,265	5,269,100	(844,148)	82,000,000	520,301,612	1,668,696,829
	<b>Income recognised directly in equity:</b>							
	Investments in available-for-sale securities							
	Gain recognised in shareholders' equity	-	-	-	201,983	-	-	201,983
	<b>Net income recognised directly in equity</b>	-	-	-	201,983	-	-	201,983
	Net income for the year	-	-	-	-	-	151,867,054	151,867,054
	<b>Total income for the year</b>	-	-	-	201,983	-	151,867,054	152,069,037
	<b>Dividend paid</b>	-	-	-	-	-	(164,000,000)	(164,000,000)
25	<b>Balance as at 31 December 2007</b>	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

Statements of changes in shareholders' equity (continued)

For the years ended 31 December 2008 and 2007

(Unit: Baht)

		Separate financial statements						
Note	Issued and paid up share capital	Share premium	Premium on treasury stock	Revaluation deficit on changes in value of investments	Retained earnings		Total	
					Appropriated - statutory reserve	Unappropriated		
	820,000,000	241,970,265	5,269,100	(642,165)	82,000,000	508,168,666	1,656,765,866	
<b>Balance as at 31 December 2007</b>								
<b>Income (expense) recognised directly in equity:</b>								
Investments in available-for-sale securities								
	-	-	-	(367,190)	-	-	(367,190)	
<b>Gain recognised in shareholders' equity</b>								
	-	-	-	(367,190)	-	-	(367,190)	
<b>Net expense recognised directly in equity</b>								
	-	-	-	-	-	296,237,506	296,237,506	
<b>Net income for the year</b>								
	-	-	-	(367,190)	-	296,237,506	295,870,316	
<b>Total income (expense) for the year</b>								
	-	-	-	-	-	(81,999,798)	(81,999,798)	
25	<b>Dividend paid</b>							
	820,000,000	241,970,265	5,269,100	(1,009,355)	82,000,000	722,406,374	1,870,636,384	
<b>Balance as at 31 December 2008</b>								

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 2008 and 2007**

#### **1. General information**

##### **1.1 Corporate information**

Lam Soon (Thailand) Public Company Limited (“the Company”) 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.

##### **1.2 Economic crisis**

The financial crisis experienced by the United States of America over the past year has had a far reaching adverse effect on the global economy as evidenced by sharp falls in share prices worldwide, a tight squeeze on credit including interbank lending, failures of large financial institutions and reduced consumer confidence. The crisis has substantially affected the business and financial plans of Thailand enterprises and asset value. Despite efforts made by governments of many countries to contain the crisis, it remains uncertain as to when the global economy will return to normalcy. These financial statements have been prepared on the bases of facts currently known to the Company, and on estimates and assumptions currently considered appropriate. However, they could be adversely affected by an array of future events.

#### **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 and their presentation 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 in Thai language are the official statutory financial statements of the Company. The financial statements in English language have been translated from such financial statements in Thai language.

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	
			2008	2007	2008	2007	2008	2007
			Percent	Percent	Percent	Percent	Percent	Percent
<b><u>Subsidiaries directly held by the Company</u></b>								
United Palm Oil Industry Public Company Limited	Oil palm plantation, crude palm oil and kernel palm oil processing	Thailand	69.96	69.96	23	23	2	1
Universal Food Public Company Limited	Manufacture and distribution of canned fruits and vegetables, juice and drinks	Thailand	97.01	96.79	30	26	10	10

Company's name	Nature of business	Country of incorporation	Percentage of indirect shareholding	
			2008	2007
			Percent	Percent
<b><u>Subsidiary held by United Palm Oil Industry Public Company Limited</u></b>				
Phansrivivat Company Limited	Owner of oil palm plantation	Thailand	100	100
<b><u>Jointly controlled entity held by United Palm Oil Industry Public Company Limited</u></b>				
Siam Elite Palm Company Limited	Production and distribution of oil palm seeds	Thailand	50	50
<b><u>Subsidiaries held by Phansrivivat Company Limited</u></b>				
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
<b><u>Subsidiary held by Universal Food Public Company Limited</u></b>				
Union Frost Company Limited	Manufacture of frozen fruits and vegetables	Thailand	58	58

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) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
  - c) The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent significant accounting policies.
  - d) Material balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements.
  - e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- 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**

#### **3.1 Accounting standards which are effective for the current year**

The Federation of Accounting Professions has issued Notification No. 9/2550, 38/2550 and 62/2550 mandating the use of the following new accounting standards.



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 became effective for the financial statements for fiscal years beginning on or after 1 January 2008. The management has assessed the effect of these standards and believes that TAS 49 (revised 2007) are not relevant to the business of the Group, while the other standards described above do not have any significant impact on the financial statements for the current year, 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.

**3.2 Accounting standards which are not effective for the current year**

The Federation of Accounting Professions has also issued Notification No. 86/2551 mandating the use of the following new accounting standards.

TAS 36 (revised 2007)	Impairment of Assets
TAS 54 (revised 2007)	Non-current Assets Held for Sale and Discontinued Operations

These accounting standards will become effective for the financial statements for fiscal years beginning on or after 1 January 2009. The management has assessed the effect of these standards and believes that they will not have any significant impact on the financial statements for the year in which they are initially applied.

#### **4. Significant accounting policies**

##### **4.1 Revenue recognition**

###### *Sales of goods*

Sales of goods are recognised 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 recognised on an accrual basis based on the effective interest rate.

###### *Dividends*

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

##### **4.2 Cash and cash equivalents**

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

##### **4.3 Trade accounts receivable**

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 debt aging.

#### **4.4 Inventories**

Finished goods and work in process are valued at the lower of cost (Moving average method) and net realisable value. Cost includes all production costs and attributable factory overheads.

Raw materials and supplies used in the manufacture are valued at cost (Moving average method) and are charged to production costs whenever consumed.

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

#### **4.5 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.
- b) Investments in non-marketable equity securities, which the Company classified as other investments, are stated at cost net of allowance for loss on diminution in value (if any).
- c) Investments in subsidiaries are accounted for in the separate financial statements using the cost method.

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.

#### **4.6 Property, plant and equipment and depreciation**

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 and 20 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 - 10 years

No depreciation is provided on 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 is included in determining income.

#### **4.7 Non-operating assets**

Non-operating assets are stated at cost less allowance for impairment loss of assets (if any).

#### **4.8 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.9 Intangible assets**

Intangible assets are measured at cost on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses (if any).

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

A summary of the intangible assets with finite useful lives is as follows:

	<u>Useful lives</u>
Licenses	29 years
Computer software	5 years

#### **4.10 Goodwill**

Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Company's cash-generating units (or group of cash-generating units) that are expected to benefit from the synergies of the combination. The Company estimates the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### **4.11 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.

#### **4.12 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 equipment acquired under finance leases is depreciated over the useful life of the leased asset.

#### **4.13 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

#### **4.14 Impairment of assets**

At each reporting date, the Company and its subsidiaries perform impairment reviews in respect of the property, plant and equipment and other intangible assets whenever events or changes in circumstances indicate an asset may be impaired. The Company and its subsidiaries also carry out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of an asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that based on information available, reflects the amount that the Company and its subsidiaries could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement.

#### **4.15 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.

#### **4.16 Employee benefits**

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised 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.

#### **4.17 Provisions**

Provisions are recognised when the Company and its 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.

#### **4.18 Income Tax**

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

#### **4.19 Derivatives - forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. 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. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures and actual results could differ. Significant judgments and estimates are as follows:

#### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

### **Impairment of equity investments**

The Company treats available-for-sale investments and other investments as impaired when the management judges that there has been a significant or prolonged decline in the fair value below their cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgment.

### **Property plant and equipment/Depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the plant and equipment and to review estimated useful lives and salvage values if there are any changes.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

### **Goodwill and intangible assets**

The initial recognition and measurement of goodwill and other intangibles assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

### **Employee retirement benefits**

In determining employee retirement benefit costs, the management is required to make judgment and estimates of expenses to be incurred, which are based on the length of employee services and average remuneration of the employees.

## Contingent liabilities

The subsidiary has contingent liabilities as a result of land litigation. The subsidiary's management has used judgment to assess of the results of the litigation and believes that no loss will result. Therefore, no contingent liabilities are recorded as at the balance sheet date. However, actual results could differ from the estimates.

## 6. Related party transactions

During the years, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

	Consolidated		Separate		Pricing and lending policy
	financial statements		financial statements		
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	
<u>Transactions with subsidiaries</u>					
(eliminated from the consolidated financial statements)					
Purchase of raw material	-	-	1,141.0	562.1	Market prices on the contract date
Purchase of finished goods	-	-	502.4	421.4	Market prices less fixed margin
Sales of goods	-	-	1.0	0.9	Market price
Rental income	-	-	2.1	2.1	Market price
Guarantee fee income	-	-	2.3	2.7	1.5% per annum of credit facilities
Dividend income	-	-	204.0	113.4	At the declared rate
Discount received from early payment	-	-	1.0	-	3.75 - 4.80% per annum of the amount collected prior to maturity
<u>Transactions with related companies</u>					
Sales of goods	18.5	16.9	0.3	-	Price approximates market price
Purchases of goods and services	0.4	0.3	0.3	-	Market price
<u>Transactions with jointly controlled entity of subsidiary</u>					
Disposal of building	-	0.1	-	-	Cost price

The balances of accounts as at 31 December 2008 and 2007 between the Company and the related parties are detailed as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b><u>Trade accounts receivable - related parties</u></b>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	9,468	91,084
Total trade accounts receivable - subsidiary	-	-	9,468	91,084
<u>Related companies</u>				
Lam Soon Singapore Pte Limited	2,334,028	997,181	52,990	-
ACE Canning Corporation Sdn. Bhd.	-	302,846	-	-
Lam Soon Edible Oils Sdn. Bhd.	605,003	526,290	-	-
Union Fresh Company Limited	452,280	452,280	-	-
Total trade accounts receivable - related companies	3,391,311	2,278,597	52,990	-
<b>Total trade accounts receivable - related parties</b>	<b>3,391,311</b>	<b>2,278,597</b>	<b>62,458</b>	<b>91,084</b>
Less: Allowance for doubtful accounts	(452,280)	(452,280)	-	-
<b>Trade accounts receivable - related parties - net</b>	<b>2,939,031</b>	<b>1,826,317</b>	<b>62,458</b>	<b>91,084</b>
 <b><u>Short-term loans and advances to related parties</u></b>				
<b><u>Short-term loans - related companies</u></b>				
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	-	-
 <b><u>Advances - related parties</u></b>				
<u>Subsidiaries</u>				
Universal Food Public Company Limited	-	-	392,840	345,229
United Palm Oil Industry Public Company Limited	-	-	892	-
Total advances - subsidiaries	-	-	393,732	345,229

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Related companies</u>				
Union Fresh Company Limited	18,549,353	18,549,353	-	-
Lam Soon (M) Berhad	83,248	-	83,248	-
Lam Soon Edible Oils Sdn. Bhd.	80,000	-	80,000	-
Siam Unison Company Limited	1,778,890	1,778,890	-	-
Lam Soon Singapore Pte Limited	20,000	-	20,000	-
Union Frost Company Limited	-	-	9,816	10,632
Total advances - related companies	<u>20,511,491</u>	<u>20,328,243</u>	<u>193,064</u>	<u>10,632</u>
Total advances - related parties	<u>20,511,491</u>	<u>20,328,243</u>	<u>586,796</u>	<u>355,861</u>
<b>Total short-term loans and advances to</b>				
<b>related parties</b>	66,121,892	65,938,644	586,796	355,861
Less: Allowance for doubtful accounts	<u>(65,938,644)</u>	<u>(65,938,644)</u>	-	-
<b>Short-term loans and advances to</b>				
<b>related parties - net</b>	<u>183,248</u>	<u>-</u>	<u>586,796</u>	<u>355,861</u>
 <u>Trade accounts payable - related parties</u>				
<u>Subsidiaries</u>				
United Palm Oil Industry Public Company Limited	-	-	16,864,026	45,649,471
Universal Food Public Company Limited	-	-	35,288,611	45,655,357
Total trade accounts payable - subsidiaries	<u>-</u>	<u>-</u>	<u>52,152,637</u>	<u>91,304,828</u>
<u>Related company</u>				
Lam Soon Singapore Pte Limited	-	281,119	-	281,119
Total trade accounts payable - related company	<u>-</u>	<u>281,119</u>	<u>-</u>	<u>281,119</u>
<b>Total trade accounts payable - related parties</b>	<u>-</u>	<u>281,119</u>	<u>52,152,637</u>	<u>91,585,947</u>



(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b><u>Short-term loans and advances from related parties</u></b>				
<b><u>Short-term loans - related company</u></b>				
Lam Soon Holding Company Limited	25,000,000	-	-	-
<b>Total short-term loans - related company</b>	<b>25,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b><u>Advances - related parties</u></b>				
<u>Subsidiary</u>				
Universal Food Public Company Limited	-	-	67,196	530,591
Total advances - subsidiary	-	-	67,196	530,591
<u>Related company</u>				
Lam Soon Edible Oils Sdn. Bhd.	7,074	-	-	-
Total advances - related company	7,074	-	-	-
<b>Total advances - related parties</b>	<b>7,074</b>	<b>-</b>	<b>67,196</b>	<b>530,591</b>
<b>Total short-term loans and advances from related parties</b>	<b>25,007,074</b>	<b>-</b>	<b>67,196</b>	<b>530,591</b>

Short-term loans to associated and related companies of subsidiary carry interest at a rate of 7.00% per annum and are repayable on demand. Recognition of interest on above loans as income on an accrual basis has ceased from the date the Central Bankruptcy Court accepted the bankruptcy suits which the subsidiary brought against the above companies. Currently, these cases are in stage of entering into receivership.

### **Directors' remuneration**

In 2008, the Company and its subsidiaries paid remuneration to their directors totaling Baht 10.7 million (the Company only: Baht 4.2 million) (2007: Baht 10.2 million, the Company only: Baht 3.6 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 26.4 to the financial statements.

## 7. Trade accounts receivable

The outstanding balances of trade accounts receivable as at 31 December 2008 and 2007, classified by aging, were as follows:

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
<u>Age of receivables</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<u>Related parties</u>				
Not yet due	2,886,041	1,681,624	9,468	91,084
Past due				
Less than 3 months	-	144,693	-	-
6 - 12 months	52,990	-	52,990	-
Over 12 months	452,280	452,280	-	-
Total	3,391,311	2,278,597	62,458	91,084
Less: Allowance for doubtful accounts	(452,280)	(452,280)	-	-
Trade accounts receivable - related parties - net	2,939,031	1,826,317	62,458	91,084
<u>Unrelated parties</u>				
Post dated cheques receivable	42,873,698	54,876,561	42,873,698	54,876,561
Cheque returned	21,985,865	16,525,974	16,906,713	11,318,422
Not yet due	765,195,124	549,378,649	726,012,850	516,989,280
Past due				
Less than 3 months	115,115,407	377,068,823	71,658,041	362,512,164
3 - 6 months	2,062,366	417,357	70,807	417,357
6 - 12 months	1,892,350	1,043,463	1,891,873	1,043,463
Over 12 months	20,312,510	20,044,833	3,021,919	2,933,321
Total	969,437,320	1,019,355,660	862,435,901	950,090,568
Less: Allowance for doubtful accounts	(43,085,562)	(33,538,296)	(19,218,118)	(11,390,194)
Trade accounts receivable - unrelated parties - net	926,351,758	985,817,364	843,217,783	938,700,374
<b>Total trade accounts receivable - net</b>	<b>929,290,789</b>	<b>987,643,681</b>	<b>843,280,241</b>	<b>938,791,458</b>

## 8. Inventories

(Unit: Baht)

Consolidated financial statements								
	Cost		Allowance of diminution in inventory value				Inventories - net	
			Reduction cost to		Stock obsolescence			
	2008	2007	net realisable value		2008	2007	2008	2007
Finished goods	559,095,513	506,294,481	(6,776,893)	(514,947)	(4,839,825)	(7,544,691)	547,478,795	498,234,843
Work in process	328,261,319	329,422,640	-	-	-	-	328,261,319	329,422,640
Raw materials	85,424,225	107,891,110	-	-	(982,811)	(1,230,722)	84,441,414	106,660,388
Inventory in transit	37,699,526	127,358	-	-	-	-	37,699,526	127,358
Supplies and spare parts	134,770,878	96,453,950	-	-	(2,221,267)	(914,650)	132,549,611	95,539,300
	1,145,251,46	1,040,189,53						
<b>Total</b>	<b>1</b>	<b>9</b>	<b>(6,776,893)</b>	<b>(514,947)</b>	<b>(8,043,903)</b>	<b>(9,690,063)</b>	<b>1,130,430,665</b>	<b>1,029,984,529</b>

(Unit: Baht)

Separate financial statements								
	Cost		Allowance of diminution in inventory value				Inventories - net	
			Reduction cost to		Stock obsolescence			
	2008	2007	net realisable value		2008	2007	2008	2007
Finished goods	87,370,772	85,353,394	(514,947)	(514,947)	-	-	86,855,825	84,838,447
Work in process	324,187,901	324,172,293	-	-	-	-	324,187,901	324,172,293
Raw materials	29,994,717	71,949,806	-	-	-	-	29,994,717	71,949,806
Inventory in transit	37,699,526	127,358	-	-	-	-	37,699,526	127,358
Supplies and spare parts	38,928,358	36,233,684	-	-	(1,274,955)	(583,686)	37,653,403	35,649,998
<b>Total</b>	<b>518,181,274</b>	<b>517,836,535</b>	<b>(514,947)</b>	<b>(514,947)</b>	<b>(1,274,955)</b>	<b>(583,686)</b>	<b>516,391,372</b>	<b>516,737,902</b>

## 9. Investments in subsidiaries

Details of investments in subsidiaries as presented in separate financial statements are as follows:

Company's name	Paid-up share capital		Shareholding percentage		Cost		Dividend received during the year	
	2008	2007	2008	2007	2008	2007	2008	2007
			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	204,043,599	113,357,555
Universal Food Public								
Company Limited	350,000,000	350,000,000	97.01	96.79	406,814,331	406,517,756	-	-
<b>Total</b>					<b>1,155,158,180</b>	<b>1,154,861,605</b>	<b>204,043,599</b>	<b>113,357,555</b>
Less: Allowance for impairment loss of investments					(21,095,880)	(21,095,880)		
<b>Total investments in subsidiaries - net</b>					<b>1,134,062,300</b>	<b>1,133,765,725</b>		

As at 31 December 2008, 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 896 million.

## 10. Other long-term investments

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<b><u>Equity securities</u></b>				
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
Datamat	16,265	-	16,265	-
Standard Chartered Bank (Thai)	2,160	-	2,160	-
Bangkok Bank Fund	-	6,482,250	-	-
Total	1,518,425	7,982,250	1,518,425	1,500,000
Less: Unrealised loss from other long-term investments	(1,009,355)	(1,374,518)	(1,009,355)	(642,165)
<b>Other long-term investments - net</b>	<b>509,070</b>	<b>6,607,732</b>	<b>509,070</b>	<b>857,835</b>
<b><u>Unrealised loss from other long-term investments</u></b>				
Portion of the Company	1,009,355	642,165	1,009,355	642,165
Portion of the subsidiary	-	732,353	-	-
Total	1,009,355	1,374,518	1,009,355	642,165
Unrealised loss attributable to minority interests	-	(219,999)	-	-
<b>Unrealised loss from other long-term investments</b>	<b>1,009,355</b>	<b>1,154,519</b>	<b>1,009,355</b>	<b>642,165</b>

## 11. Property, plant and equipment

(Unit: Baht)

### Consolidated financial statements

	Land	Land awaiting development	Cost of forest land rights and plantation development costs	Building and improvement	Factory and agricultural machinery and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
<b>Cost</b>									
31 December 2007	241,207,631	76,475,756	434,059,462	641,686,376	1,393,640,344	91,656,407	164,688,464	385,719,127	3,429,133,567
Additions	-	-	-	24,350	16,677,629	4,214,104	13,395,428	466,035,187	500,346,698
Capitalised interest	-	-	-	1,178,131	2,586,151	-	-	636,201	4,400,483
Disposals/write off	-	-	(18,628,149)	(303,098)	(16,252,391)	(871,929)	(5,527,560)	(16,486,347)	(58,069,474)
Transfer in (transfer out)	1,350,000	-	35,252,724	136,053,791	328,648,662	328,255	20,816,622	(546,871,916)	(24,421,862)
31 December 2008	242,557,631	76,475,756	450,684,037	778,639,550	1,725,300,395	95,326,837	193,372,954	289,032,252	3,851,389,412
<b>Accumulated depreciation</b>									
31 December 2007	-	-	256,606,424	378,797,796	920,130,085	79,515,904	141,859,920	-	1,776,910,129
Depreciation for the year	-	-	19,602,544	29,955,869	86,349,863	5,700,358	12,777,196	-	154,385,830
Depreciation on disposals/write off	-	-	(16,813,425)	(244,761)	(13,748,396)	(870,098)	(5,527,550)	-	(37,204,230)
Transfer in (transfer out)	-	-	-	(1,078)	1,078	-	-	-	-
Adjustment	-	-	-	12,340	(21,276)	-	-	-	(8,936)
31 December 2008	-	-	259,395,543	408,520,166	992,711,354	84,346,164	149,109,566	-	1,894,082,793
<b>Allowance for impairment</b>									
31 December 2007	14,487,948	-	-	-	1,926,317	1,822,046	-	-	18,236,311
Decrease during the year	-	-	-	-	-	(1,148,613)	-	-	(1,148,613)
31 December 2008	14,487,948	-	-	-	1,926,317	673,433	-	-	17,087,698
<b>Net book value</b>									
31 December 2007	226,719,683	76,475,756	177,453,038	262,888,580	471,583,942	10,318,457	22,828,544	385,719,127	1,633,987,127
31 December 2008	228,069,683	76,475,756	191,288,494	370,119,384	730,662,724	10,307,240	44,263,388	289,032,252	1,940,218,921
<b>Depreciation for the year</b>									
2007 (Baht 121 million included in manufacturing cost, and the balance in selling and administrative expenses)									137,029,859
2008 (Baht 135 million included in manufacturing cost, and the balance in selling and administrative expenses)									154,385,830

(Unit: Baht)

## Separate financial statements

	Land	Building and improvement	Machinery, factory equipment and waste water treatment	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress and machinery under installation	Total
<b>Cost</b>							
31 December 2007	27,938,625	249,511,210	731,179,436	31,362,067	34,888,191	26,587,415	1,101,466,944
Additions	-	9,500	9,419,284	1,522,078	8,184,010	104,516,383	123,651,255
Disposals/write off	-	-	(9,994,385)	(61,405)	(110,000)	-	(10,165,790)
Transfer in (transfer out)	-	-	9,409,210	47,550	-	(19,456,760)	(10,000,000)
31 December 2008	27,938,625	249,520,710	740,013,545	32,870,290	42,962,201	111,647,038	1,204,952,409
<b>Accumulated depreciation</b>							
31 December 2007	-	166,194,008	451,936,859	28,466,388	23,279,742	-	669,876,997
Depreciation for the year	-	9,291,763	37,996,874	1,315,649	4,239,590	-	52,843,876
Depreciation on disposals/write off	-	-	(8,007,707)	(61,401)	(110,000)	-	(8,179,108)
31 December 2008	-	175,485,771	481,926,026	29,720,636	27,409,332	-	714,541,765
<b>Allowance for impairment</b>							
31 December 2007	-	-	1,926,317	-	-	-	1,926,317
31 December 2008	-	-	1,926,317	-	-	-	1,926,317
<b>Net book value</b>							
31 December 2007	27,938,625	83,317,202	277,316,260	2,895,679	11,608,449	26,587,415	429,663,630
31 December 2008	27,938,625	74,034,939	256,161,202	3,149,654	15,552,869	111,647,038	488,484,327
<b>Depreciation for the year</b>							
2007 (Baht 41 million included in manufacturing cost, and the balance in selling and administrative expenses)							49,930,570
2008 (Baht 41 million included in manufacturing cost, and the balance in selling and administrative expenses)							52,843,876

The total area utilised by the subsidiary amounts to approximately 23,359 rai, of which 9,751 rai is supported by land title deeds or other land ownership documents (Nor Sor 3 Kor and Nor Sor 3). For the remaining land, the subsidiary has received possessory rights and is currently in the process of acquiring legal documentation of ownership.

During 2008, the subsidiary capitalised interest amounting to Baht 1 million to the cost of plant construction and machinery installation. These borrowing costs were determined based on the borrowing cost of the general loans and the weighted average rate used to determine the amount of borrowing costs eligible for capitalisation was 4.6%. The subsidiary capitalised interest amounting to Baht 3.3 million to the costs of plant construction and machinery installation, of which Baht 3.0 million related to borrowing costs of loans obtained specifically for certain projects and Baht 0.3 million to general loans. The weighted average rates used to determine the amount of borrowing costs eligible for capitalisation were 3.4% to 6.0%.

As at 31 December 2008 and 2007, the majority of land and buildings thereon, land awaiting for development and machinery of the subsidiary were mortgaged and pledged with financial institutions to secure credit facilities granted by financial institutions and bank guarantees.

As at 31 December 2008, the Company and its subsidiary had vehicles under finance lease agreements with net book value amounting to Baht 12.3 million (the Company only: Baht 9.8 million).

As at 31 December 2008, 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 1,117 million (2007: Baht 819 million) and for the Company amounted to approximately Baht 315 million (2007: Baht 302 million).

## **12. Non-operating assets**

As at 31 December 2008 and 2007, the subsidiary had mortgaged non-operating land amounting to Baht 5 million to secure credit facilities granted by a financial institution.



### 13. Intangible assets

	Consolidated financial statements			(Unit: Baht)
				Separate financial statements
	Computer software	Licenses	Total	Computer software
<b><u>Cost</u></b>				
31 December 2007	35,945,352	-	35,945,352	16,717,055
Additions	10,559,325	10,764,200	21,323,525	10,359,825
31 December 2008	46,504,677	10,764,200	57,268,877	27,076,880
<b><u>Accumulated amortisation</u></b>				
31 December 2007	27,724,499	-	27,724,499	16,260,915
Amortisation for the year	4,303,176	248,883	4,552,059	678,262
31 December 2008	32,027,675	248,883	32,276,558	16,939,177
<b><u>Net book value</u></b>				
31 December 2007	8,220,853	-	8,220,853	456,140
31 December 2008	14,477,002	10,515,317	24,992,319	10,137,703
<b><u>Amortisation expenses included in the income statements for the year</u></b>				
2007			4,219,098	368,296
2008			4,552,059	678,262

In April 2008, the jointly controlled entity of a subsidiary paid royalty for the use of a trademark in the production and distribution of oil palm seed amounting to EUR 150,000 (proportionate to the control exercised by the subsidiary) and technical assistance fees amounting to EUR 50,000 (proportionate to the control exercised by the subsidiary) to a foreign shareholder. The jointly controlled entity recorded the amounts paid under "Intangible assets" in the balance sheet.

### 14. Bank overdrafts and short-term loans from financial institutions

	Interest rate		Consolidated		Separate	
	(percent per annum)		financial statements		financial statements	
	2008	2007	2008	2007	2008	2007
Bank overdrafts	MOR	MOR	-	61	-	-
Short-term loans from financial institutions	3.07 - 7.25	3.87 - 4.90	1,467,000,000	1,574,000,000	736,000,000	1,010,000,000
Total			1,467,000,000	1,574,000,061	736,000,000	1,010,000,000

No collateral has been pledged for short-term loans from financial institutions of the Company and its subsidiary.

## 15. Liabilities under finance lease agreements

	(Unit: Baht)			
	Consolidated financial statements		Separate financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Liabilities under finance lease agreements	13,417,804	10,412,968	10,724,969	8,749,907
Less: Deferred interest expenses	(1,191,394)	(1,074,784)	(955,457)	(971,060)
Total	12,226,410	9,338,184	9,769,512	7,778,847
Less: Portion due within one year	(3,382,401)	(1,963,803)	(2,696,340)	1,638,997
Liabilities under finance lease agreements - net of current portion	<u>8,844,009</u>	<u>7,374,381</u>	<u>7,073,172</u>	<u>6,139,850</u>

The Company and its subsidiary have entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in their operation, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years. Finance lease agreements are non-cancelable.

As at 31 December 2008, future minimum lease payments required under the finance lease agreements were as follows:

	(Unit: Million Baht)		
	Consolidated financial statements		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	4.4	9.0	13.4
Deferred interest expenses	(0.6)	(0.6)	(1.2)
Present value of future minimum lease payments	<u>3.8</u>	<u>8.4</u>	<u>12.2</u>

	(Unit: Million Baht)		
	Separate financial statements		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	3.6	7.2	10.8
Deferred interest expenses	(0.5)	(0.5)	(1.0)
Present value of future minimum lease payments	<u>3.1</u>	<u>6.7</u>	<u>9.8</u>

## 16. Long-term loans

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Long-term loans	216,613,000	132,933,000	-	-
Less: Current portion	<u>(102,353,000)</u>	<u>(56,320,000)</u>	-	-
Long-term loans - net of current portion	<u>114,260,000</u>	<u>76,613,000</u>	-	-

The loan agreements contain covenants that, among other things, require the subsidiary to maintain certain dividend payments, the proportion of shareholding of the major shareholders and the maintenance of certain financial ratios.

As at 31 December 2008, a subsidiary could not maintain certain financial ratios as stipulated in the agreements with a bank. In addition, it was unable to negotiate with such bank because the bank needed to use the audited financial statements for the year ended 31 December 2008 in deciding whether to grant a waiver of the condition, and it was not practical for the auditor to audit and issue an opinion on the financial statements within 31 December 2008. To comply with TAS 35, the subsidiary classified the whole amount of the debt, including the long-term portion, as a current liability. However, the subsidiary is in position to repay in full the loan to such bank if necessary.

## 17. Provision for land rental charge

In 2001, a subsidiary 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 is in the process of negotiating with the relevant government agencies. However, for the prudent reasons the subsidiary has set up a provision for its estimated liabilities in the accounts.

## 18. 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 2008, the amount provided in the accounts by the Company amounted to Baht 8.4 million (2007: Baht 8.4 million).

## 19 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.

## 20. Expenses by nature

Significant expenses by nature are as follows:

	(Unit: Baht)			
	Consolidated		Separate	
	financial statements		financial statements	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Salary and wages and other employee benefits	615,165,868	522,320,742	248,544,226	205,506,052
Depreciation	154,385,830	137,029,859	52,843,876	49,930,570
Amortisation expenses	4,552,059	4,219,098	678,262	368,296
Loss on impairment of property, plant and equipment	19,508,021	6,055,677	-	-
Transportation expenses	167,071,781	119,647,395	93,572,968	76,000,651
Repair and maintenance expenses	57,844,122	54,354,068	19,447,746	19,108,804
Rental expenses	12,788,701	7,648,526	2,213,120	1,928,297
Promotion expenses	107,103,408	70,004,629	99,338,737	64,026,106
Raw materials and consumables used	6,329,385,307	4,084,095,436	6,991,798,306	4,594,787,434
Changes in inventories of finished goods and work in process	(45,034,318)	(105,517,456)	(2,032,986)	36,409,108

## 21. Promotional privileges

The Company and its subsidiaries have received 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 (expired in November 2008)
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)
2093(2)/2550	Manufacture pure vegetable oil (has not yet begun utilizing the promotional privileges)
1013(9)/2551	Manufacture of electricity from biogases (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)
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)
2245(9)/2550	Manufacture of electricity from biogases (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, which have been exempted 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 50 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, 1262(2)/2550 and 2093(2)/2550).

Revenues, divided between promoted and non-promoted operations, of the Company for the years 2008 and 2007 were as follows:

(Unit: Baht)

	Separate financial statements					
	2008			2007		
	Promoted operations	Non-promoted operations	Total	Promoted operations	Non-promoted operations	Total
<b>Sales</b>						
Domestic sales	578,301,585	7,470,033,824	8,408,335,409	312,368,353	5,055,743,757	5,368,112,110
Export sales	32,239,316	355,199,290	387,438,606	52,441,908	469,160,320	521,602,228
Total sales	<u>610,540,901</u>	<u>7,825,233,114</u>	<u>8,435,774,015</u>	<u>364,810,261</u>	<u>5,524,904,077</u>	<u>5,889,714,338</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 2008 and 2007 were as follows:

(Unit: Million Baht)

	Manufacture and distribution			Eliminated of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		2008	2007
Revenue from external customers	8,038	1,484	9,522	-	9,522	6,608
Intersegment revenues	1,140	503	1,643	(1,643)	-	-
Total revenues	<u>9,178</u>	<u>1,987</u>	<u>11,165</u>	<u>(1,643)</u>	<u>9,522</u>	<u>6,608</u>
Segment income	1,058	304	1,362	7	1,369	940
Unallocated income and expenses:						
Other income					77	60
Selling expenses					(536)	(424)
Administrative expenses					(219)	(187)
Amortisation of goodwill					-	(19)
Finance cost					(87)	(66)
Corporate income tax					(145)	(64)
Minority interests					(105)	(59)
Net income for the year					<u>354</u>	<u>181</u>

(Unit: Million Baht)

	Manufacture and distribution			Elimination of inter- segment revenues	Total	
	Palm oil segment	Canned fruits and vegetables segment	Total		2008	2007
Property, plant and equipment - net	1,285	655	1,940	-	1,940	1,634
Non-operating land	-	65	65	-	65	66
Unallocated assets	<u>2,924</u>	<u>716</u>	<u>3,640</u>	<u>(987)</u>	<u>2,653</u>	<u>2,633</u>



Total assets	<u>4,209</u>	<u>1,436</u>	<u>5,645</u>	<u>(987)</u>	<u>4,658</u>	<u>4,333</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 2008, total amount of approximately of Baht 7.7 million (2007: Baht 7.1 million) had been contributed to the funds by the Company and the subsidiaries, and Baht 4.6 million had been contributed by the Company (2007: Baht 4.1 million).

#### 25. Dividend paid

During the year 2008 and 2007, 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)			
<b><u>The Company</u></b>			
<u>For the year 2008</u>			
Final dividend on 2007 income	Annual General Meeting of the shareholders on 28 April 2008	81,999,798	0.10
Total dividend for the year 2008		<u>81,999,798</u>	<u>0.10</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 dividend for the year 2007		<u>164,000,000</u>	<u>0.20</u>

			(Unit: Baht)
	<u>Approved by</u>	<u>Total dividends</u>	<u>Dividend per share</u>
<b><u>Subsidiary</u></b>			
<b><u>For the year 2008</u></b>			
Final dividend on 2007 income	Annual General Meeting of the shareholders on 28 April 2008	97,214,400	3.00
Interim dividends on income for the period from January to June 2008	Board of Directors' Meeting on 6 August 2008	129,619,200	4.00
Interim dividends on income for the period from July to September 2008	Board of Directors' Meeting on 12 November 2008	64,809,600	2.00
Total dividend for the year 2008		<u>291,643,200</u>	<u>9.00</u>
<b><u>For the year 2007</u></b>			
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	Board of Directors' Meeting on 10 August 2007	64,809,600	2.00
Interim dividends on income for the period from July to September 2007	Board of Directors' Meeting on 9 November 2007	32,404,800	1.00
Total dividend for the year 2007		<u>162,024,000</u>	<u>5.00</u>

## 26. Commitments and contingent liabilities

### 26.1 Capital commitments

As at 31 December 2008, the Company and its subsidiaries had capital commitments under the agreements and purchase orders for purchase of equipment including services payable in the future amounting to approximately Baht 73.1 million, SGD 3.0 million and USD 0.1 million (the Company only: Baht 44.6 million, SGD 3.0 million and USD 0.1 million).

## 26.2 Operating lease commitments

The Company and its subsidiaries have entered into several lease agreements in respect of the lease of office building space, equipment and motor vehicles. The terms of the agreements are generally between 1 and 5 years. Operating lease agreements are non-cancelable.

As at 31 December 2008, future minimum lease payments required under these non-cancellable operating leases contracts were as follows:

	<u>Million Baht</u>
Payable within:	
Less than 1 year	0.4
1 to 5 years	<u>1.4</u>
	<u>1.8</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 of a subsidiary is obliged to pay royalty fees calculated as a percentage of the net annual sales of the products, as defined in the agreements. The jointly controlled entity and such foreign shareholder are also required to comply with conditions stipulated in the contracts.

## 26.4 Guarantees

- (1) The Company has guaranteed bank credit facilities of its subsidiary amounting to Baht 60 million.
- (2) As at 31 December 2008, there were outstanding bank guarantees of approximately Baht 16.4 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 0.4 million to guarantee payments due to domestic creditors and Baht 16.0 million to guarantee electricity usage, among others (the Company only: guarantees for electricity usage and others of Baht 10.8 million).

## 26.5 Contingent liabilities

- (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.
- (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.
- (3) On 11 April 2008, the subsidiary met with the working committee responsible for reviewing practical methods and negotiations for distributing land belonging to holders of large plots in land reform areas to farmers, which was set up by the Suratthani Land Reform Commission. The purpose of the meeting was to find a practical solution to the land issue arising as a result of the subsidiary holding land amounting to approximately 1,210 rai in designated forest areas and another 276 rai in land reform areas. The 276 rai in land reform areas represents a large landholding and a holding in excess of the area that can be owned under Section 30 of the Land Reform for Agriculture Act. These land plots represent 6 percent of the total area utilised by the subsidiary.

On 29 August 2008, the subsidiary entered into a memorandum of negotiation, agreeing to transfer land in land reform areas to the custody of ALRO for development for agriculture use; with the subsidiary signaling its intention to allow ALRO to take approximately 80 rai of land into the land reform program for agricultural use. The cost of this land and the net book value of the palm plantation development on that land amounted to approximately Baht 0.1 million.

At present, the subsidiary is in the process of negotiating with the relevant government agencies concerning the land in designed forest areas.

## **27. Financial instruments**

### **27.1 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 2008 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.)
	Within one year	More than one year but within four years	Floating interest rate	Non- interest bearing		
	(Million Baht)					
<b>Financial assets</b>						
Cash and cash equivalents	-	-	260	3	263	0.10 - 2.65
Trade accounts receivable	-	-	-	929	929	-
	-	-	260	932	1,192	
<b>Financial liabilities</b>						
Bank overdrafts and short-term loans	806	-	661	-	1,467	3.80 -5.05 and MOR- 1.5
Trade accounts payable	-	-	-	352	352	-
Liabilities under finance lease agreements	3	9	-	-	12	5.75 - 6.40
Short-term loans from related party	-	-	25	-	25	THBFIX+0.5 MLR,
Long-term loans	-	-	217	-	217	THBFIX+0.1
	809	9	903	352	2,073	

### **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 2008 are summarised below.

Foreign currency	Financial assets (Million)	Financial liabilities (Million)	Average exchange rate as at 31 December 2008 (Baht per 1 foreign currency unit)
US dollars	1.3	0.9	34.94
EURO	0.4	0.1	49.27

Forward exchange contracts outstanding at 31 December 2008 are summarised below.

Foreign currency	Bought amount (Million)	Sold amount (Million)	Contractual exchange rate (Baht per 1 foreign currency unit)	
			Bought amount	Sold amount
US dollars	1.3	4.6	35.19 - 35.49	32.43 - 35.14

### **27.2 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.



## 28. Capital management

The primary objective of the Company's and its subsidiaries' capital management is to ensure that they have an appropriate financial structure and preserve the ability to continue their business as a going concern.

According to the balance sheet as at 31 December 2008, the Group's debt-to-equity ratio was 1.1:1 (2007: 1.2:1) and the Company's was 0.7:1 (2007: 0.9:1).

## 29. Subsequent event

On 26 February 2009, the meeting of the Board of Directors of the Company passed a resolution approving the payment of dividend from the 2008 income to the Company's shareholders at Baht 0.2 per share or a total of Baht 164 million.

On 25 February 2009, the meeting of the Board of Directors of a subsidiary passed a resolution to propose the payment of a dividend of Baht 4 per share in respect of October to December 2008 earnings or a total of Baht 129.6 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.

## 30. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2007 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Property, plant and equipment - net	1,633,987,127	1,651,022,441	429,663,630	430,119,770
Intangible assets - net	8,220,853	-	456,140	-
Non-operating assets	65,608,796	56,794,335	-	-

## 31. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 26 February 2009.

# Naturel

ORGANIC

## Camellia Tea Oil

- MUFA (Omega 9) 78-81%
- High Smoke Point at 240-252°C
- Organic
- Wide Variety of Different Cooking



มูลนิธิส่งเสริมสุขภาพ  
ในพระบรมราชูปถัมภ์  
และคณะกรรมการอาหาร  
และยา  
5308400004



TAS-P:022





## รายงานประจำปี 2551



บริษัท ลำสูง (ประเทศไทย) จำกัด (มหาชน)

947/155 หมู่ 12 ถนนบางนา-ตราด แขวงบางนา เขตบางนา กรุงเทพมหานคร 10260

Tel: +66-(0)2-361 8959-87 Fax: +66-(0)2-361 8988/89

[www.lamsoon.co.th](http://www.lamsoon.co.th)

e-mail: [secretary@lamsoon.co.th](mailto:secretary@lamsoon.co.th)